EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,278

Tuesday October 16 1990

Φ D 8523A

**CUBA**
Falling prey to perestroika
Page 6

## World News

### Mitterrand refuses to let Lebanese have Aoun

President François Mitterrand said ousted Lebanese Christian General Michel Aoun would continue to be given refuge in the French embassy in Beirut until Lebanese authorities allowed him to leave for asylum in France. Policy defended,Page 9

**Arrest at hospital**

German police arrested a man carrying a 9in metal file who tried to enter the hospital room of gravely ill Interior Minister Wolfgang Schäuble, wounded in an assassination attempt last week. Condition worsens, page 2

**Hunger striker ill**

Veteran South Korean politician Kim Dae-Jung, 66, was forcibly taken to hospital by his supporters on the eighth day of his hunger strike for democratic reforms. He refused to call off his protest.

**Italian minister quits**

Italian Interior Minister Antonio Gava, 60, facing criticism over a rising tide of Mafia violence, has resigned on health grounds. He suffers from diabetes.

**Rwanda peace talks**

Belgian premier Wilfried Martens and Rwandan president Juvenal Habyarimana arrived in Nairobi for talks on ending a rebel invasion of Rwanda. Page 8

**UN vote unanimous**

The UN General Assembly filled Cambodia's seat with a peace-seeking national council in its first unanimously-adopted resolution on the Asian nation since 1978.

**Bridge collapses**

At least 30 people were feared dead when the middle span of a bridge collapsed while under construction in the Indian resort state of Goa.

**Circulation halted**

The Asian Wall Street Journal said it was halting circulation in Singapore because of new press laws in the island republic. Curbs defended, page 8

**Mercouri loses**

Melina Mercouri, the Greek actress turned Socialist politician, lost her bid to become mayor of Athens, the top prize in nationwide local elections. Page 2

**Duvalier comeback**

Followers of Haiti's toppled Duvalier family dynasty formed a new political front and named a reputed former head of the feared Tonton Macoute as its leader.

**Tokyo protest foiled**

Police used a water cannon and a cage lowered by a crane in a seven-hour operation to arrest two radicals holding out in a two-storey command post to resist expansion of Tokyo's Narita international airport.

**Disco explosion**

Eighteen people were injured when explosives were thrown into a crowded disco at Most, in northern Czechoslovakia.

**Hungarian right hit**

Hungary's governing conservatives failed their first electoral test as voters delivered a convincing victory to opposition liberals in the decisive round of the country's local polls. Page 2

**Garbo millions**

The art collection of Hollywood legend Greta Garbo is expected to raise about $24m when it comes up for auction in London and New York next month. It includes three Renoirs.

**Bernstein dies**

Leonard Bernstein, the best-known American conductor of the 20th century and composer of such popular classics as West Side Story, died aged 72. Obituary, Page 17

## Business Summary

### UAL places record $22bn order for Boeing jets

United Airlines (UAL), one of world's largest airlines, has placed a record $22bn order for new Boeing jets, becoming the launch customer for the long awaited Boeing 777 twin engine wide-body aircraft. The deal will intensify the fierce battle between Boeing, McDonnell Douglas and the European Airbus Industrie consortium in the growing market for wide-body medium to long range airliners. Page 20

INTERNATIONAL Business Machines, world's largest computer company, announced a 27 per cent rise in third quarter net earnings of $1.1bn, up from $877m in the same period of 1989. Page 21

ITEL, one of world's largest lessors of cargo containers, is to sell its multipurpose container leasing and services assets for about $825m to Genstar Container, subsidiary of General Electric Capital Corporation. Page 21

BURMAH CASTROL, lubricants, fuels and chemicals group, has launched a hostile cash bid for Foseco. Page 21; Lex, Page 20

AUSTRALIA has eased tight monetary policy by cutting official money market interest rates by one percentage point to 13 per cent. Page 8

PEPSICO, world's second largest soft drinks manufacturer, reported a 25 per cent rise in third-quarter net income on sales rising 15 per cent to $4.48bn from $3.9bn. Page 22

JAPANESE market for investment trust fund management is being opened to foreign companies. Page 22

DEN NORSKE BANK (DnB), Norway's biggest bank, will today announce credit losses at the eight-month mark of NKr2.2bn ($373m) and net losses of NKr300m. Page 23

ITALIAN efforts to curb the powers of the European Commission to control state aid payments to industry appeared to have failed. Page 20

J.P. MORGAN, New York banking group, reversed the downward trend in US commercial banking by unveiling a third-quarter net profit of $208m, or $1.08 per share. Page 22

TRADE: 12 leading farm-exporting nations have lined up behind the US to seek slashing cuts in subsidies that distort trade in agricultural products. Page 20

SALOMON BROTHERS, New York investment bank, is to transfer its 20 per cent shareholding in collapsed bank DFC New Zealand and pay $8m in cash to National Provident Fund, New Zealand state-owned superannuation group. Page 22

INTEL, US semiconductor maker, has a new microprocessor which it claims will drive laptop computers to run programmes written for desk-top machines. Page 4

FERMENTA, Swedish pharmaceutical and finance group, has sold SDS Enterprises, its US-based producer of fungicides, to Ishihara Sangyo, Japanese chemical concern, for $300m. Page 23

HIGHLAND Distilleries, maker of The Famous Grouse, UK's second best-selling Scotch whisky, has reported full year pre-tax profits up from £19.5m ($38m) to £24.7m, an increase of 26.6 per cent. Page 10

**CAREERS SURVEY**

Tomorrow the Financial Times publishes a survey for students and parents. FT specialists assess career options, interpret the hype in company brochures, advise on interview techniques and outline job opportunities in Europe and the US. The survey includes an A-Z guide to more than 50 careers

# World leaders hail Gorbachev's Nobel Peace Prize

By Quentin Peel in Moscow and Karen Fossli in Oslo

PRESIDENT Mikhail Gorbachev of the Soviet Union, yesterday won the 1990 Nobel Peace Prize for helping to end the Cold War and championing sweeping reforms across eastern Europe.

World leaders hailed the choice of Mr Gorbachev, who has been nominated numerous times for the award. President George Bush called the Soviet leader a "courageous force for peaceful change".

The Nobel Committee said that Mr Gorbachev's reforms had meant that "confrontation has been replaced by negotiations; old European nation states have regained their freedom; the arms race is slowing down and (we) see a definite and active process in the direction of arms control and disarmament. Several regional conflicts have been solved or have at least come closer to a solution" because of Mr Gorbachev's efforts.

Mr Gorbachev, the first communist leader to win the award, last night insisted that it was not a personal prize, but "a recognition of our perestroika, and its importance to the whole world's future".

He paid tribute to Dr Andrei Sakharov, the late nuclear physicist, and the last Soviet winner of the peace prize, for the part he had played in the "new thinking" that was needed.

Congratulations for Mr Gorbachev poured in from around the world and included praise from President Vaclav Havel of Czechoslovakia who is an indirect beneficiary of Mr Gorbachev's five years of reform.

In Bonn, Mr Helmut Kohl, the chancellor, expressed gratitude towards Mr Gorbachev for aiding the process of German reunification.

However, Mr Gorbachev's citizens were by no means unanimously joyful. While political colleagues added their own congratulations, the popular reaction to the award on the Moscow streets was far more sceptical, with most ordinary members of the public expressing doubt or cynicism.

Mr Gorbachev, who officially earns about $92,000 a year, will be rewarded with a SKr4m ($710,000) Nobel contribution, a bronze medal and diploma.

World reaction, Page 3; Break-up of empire, Page 20

# Pöhl warns UK to adopt tough anti-inflation policy

By Philip Stephens and Peter Norman in London and David Marsh in Bonn

MR JOHN MAJOR, the UK chancellor, yesterday underlined Britain's opposition to the "imposition" of a single European currency. However, he left the door open to a compromise aimed at avoiding isolation among its EC partners.

The chancellor's comments came as Mr Karl Otto Pöhl, the president of the West German Bundesbank, warned that Britain's full membership of the European Monetary System meant that it must adopt a "tough anti-inflation policy."

If the British government did not follow this line, "over time either it would not be possible to maintain the exchange rates or else very quickly Britain would lose competitiveness," Mr Pöhl told a conference on monetary union in Bonn.

However, in remarks which drew approval at the conference from Mr Francis Maude, the financial secretary to Britain's Treasury, Mr Pöhl also spelled out the "the difficult problems which will have to be discussed and negotiated" over economic and monetary union.

He repeatedly denied that the Bundesbank was trying to slow down the Emu process. But with his eye on the intergovernmental conference in Rome on Emu in two months, Mr Pöhl stressed the tough conditions the Bundesbank attached to the political drive towards a single European currency and central bank.

Mr Pöhl underlined his opposition to setting a fixed timetable for the start of a new phase of European currency co operation. He also pointed to the difficulties of reaching EC accord on statutes for a genuinely independent European central bank.

Yesterday's developments coincided with a sharp fall in sterling's value on foreign exchange markets, prompting Mr Major to warn against any early cut in interest rates. He insisted that sterling's ERM central rate of DM2.95 was sustainable over the medium term and dismissed any possibility of devaluation. In London, the pound settled half way between the central rate and the psychologically important DM3 level. It fell 2 pfennigs and 2.05 cents below Friday's closing levels to DM2.9750 and $1.9535 respectively. The Bank of England's trade weighted exchange rate index lost 1.1 percentage points to 94.9. In New York, sterling closed at $1.9495.

Bundesbank president Karl Otto Pöhl: Britain must adopt a tough anti-inflationary policy if it is to maintain exchange rates and competitiveness after becoming a full member of the EMS

Mr Major's remarks, in a statement to the House of Commons on his decision to take sterling into the ERM, underlined the delicate balancing act within the ruling Conservative Party over the pressures for European economic integration.

They were taken also as a measure of the government's concern that it risks isolation when the Community's leaders open an inter-governmental conference on economic and monetary union in December.

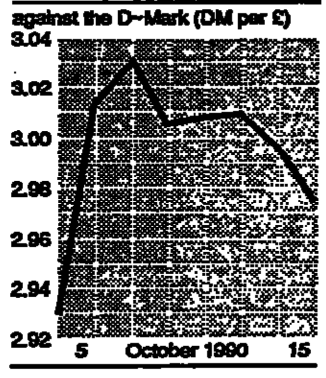
Mr Major made it clear that Britain is as hostile as ever to the Delors blueprint for Emu. Facing sustained questioning from both sides of the Commons, however, he was careful not to rule out the possibility that his alternative plan for a "hard Ecu" might lead to a single currency.

With emphasis on the word "imposition" he said that ERM membership "does not imply any change in our opposition to the imposition of a single currency."

'Can-do' tactics come home to roost, Page 18; Lex, Page 20; Markets, Section II

**Sterling**

against the D-Mark (DM per £)




# Israel rebuffs US call to work with UN delegation

By Hugh Carnegy in Jerusalem

ISRAEL yesterday rebuffed a toughly worded call from the US to co-operate with a United Nations investigation into last week's killing of at least 20 Palestinians in Jerusalem, creating a serious split with its chief international ally.

That followed a letter from Mr James Baker, the US Secretary of State, to Israel over the affair in which he accuses the government of Mr Yitzhak Shamir of "playing into the hands of Saddam Hussein".

President George Bush, however, stood firm in the face of Israeli opposition, declaring that he favoured "full implementation" of the United Nations resolution to send a team of observers to Jerusalem to investigate the shooting of 21 Palestinians. "We think it's the right step," he said in Texas.

The US State Department, reinforcing Mr Baker's letter to Mr David Levy, the Israeli foreign minister, said the administration was disappointed at Israel's rejection of the UN resolution. "We think that the failure to co-operate denies Israel an opportunity to present its case."

The increasingly acrimonious dispute between the US and the Jewish state, compounded by differences over the settlement of Soviet immigrants in Arab east Jerusalem, coincided with the arrival of Mr Douglas Hurd, the British foreign secretary, for a visit set to underline the extent of Israel's diplomatic isolation following the killings.

Israeli government officials insisted yesterday that the cabinet would stick by its decision on Sunday not to co-operate with a delegation sent by the UN secretary-general to investigate the shootings in Jerusalem and report on ways of protecting Palestinians in the occupied territories.

That was in defiance of Mr Baker's letter to Mr Levy delivered before the cabinet decision, which implored Israel to accept the delegation. He said Israel should have been prepared for the disturbances in the Old City "without killing 20 people and wounding 150". Israel had "played into the hands of Saddam Hussein". Rejecting the UN delegation would put Israel, and not Iraq, at the centre of world attention.

Diplomats in New York said that, despite the Israeli refusal to co-operate, Mr Javier Pérez de Cuéllar, the UN Secretary General, would probably go ahead with the mission.

In Washington, US officials barely concealed their irritation with the Israel's stand, describing it as "unhelpful" and "a distraction".

Mr Shamir's government argues the opposite – that the UN delegation will draw attention away from the Gulf crisis to the benefit of Iraq.

Its objections also arise from the belief that co-operating with the UN would set a precedent for UN involvement in settling the Palestinian issue and undermine Israel's unbending claim to sovereignty over all Jerusalem.

This insistence on sovereignty lies at the heart of the dispute with the Palestinians – who also claim Jerusalem as their capital – and is the source of another dispute with the US, which does not accept Israeli rule over Arab areas of the city captured in 1967.

This month, Mr Baker won written assurances from Mr Levy that none of $400m in US government-guaranteed loans that Israel will raise to help to house a flood of Soviet Jewish immigrants would be spent in east Jerusalem.

The Middle East, Page 9; Foreign Affairs, Page 19

# STC says talks may lead to bid from rival telecoms group

By Michael Skapinker, in London

STC, one of the few remaining British-owned high technology companies, is in talks that could lead to a bid from a rival telecommunications company.

STC's main strength is its expertise in fibre optic cables and intelligent transmission systems. Its main weakness is its dependence on British Telecom, which accounts for 55 per cent of STC's telecommunications business. Last July, STC announced that it was selling ICL, Britain's largest computer manufacturer, to Fujitsu of Japan.

The UK company would not say which of its rivals were involved in the talks, but City analysts said the most likely buyers would be Northern Telecom of Canada, which already has a 27 per cent stake in STC, and Alcatel of France.

Yesterday's announcement came at the request of the takeover panel of the British Monopolies and Mergers Commission after press speculation about the future of the group. STC – which is valued on the stock market at £1.59bn ($3.13bn) on the basis of yesterday's close of 284p, up 15p on the day – said its sale of ICL had been intended as a step towards strengthening its role as a European telecommunications group.

The statement said it had "since been discussing such developments with a number of possible partners. STC confirms that it is aware that the options being considered by possible partners include an offer for the share capital of STC. If such on offer is made, it will be communicated to shareholders immediately".

Mr Arthur Walsh, STC chairman, said earlier this year that he regarded the need to preserve British ownership as a "macho" consideration which should not enter into business decisions.. He said that he might use the £743m proceeds of the ICL sale to build a larger group incorporating some of the smaller European telecommunications companies, such as Bosch of Germany, Nokia of Finland and Philips of the Netherlands.

City analysts said that yesterday's announcement appeared to play down this option and that a takeover by a larger group seemed probable.

Northern Telecom and Alcatel both refused to comment yesterday. A third possible buyer is Fujitsu, and other contenders might be Siemens of Germany and Ericsson of Sweden. However, Mr Charles Burrows of James Capel saw Fujitsu as a less likely bidder because of STC's interest in a European buyer. STC had tried to find a European buyer for ICL.

STC's pre-tax profits for the six months to July 1 fell by 32 per cent to £77.7m, largely as a result of a reduction in sales to BT.

Lex, Page 20



## CONTENTS



**Brazil's immigrants hit hard by tough austerity plan**

Brazil's illegal immigrants have suffered more than most from the austerity plans of President Collor de Mello (left), but life for them there has always been better than where they came from - until now
Page 7



## MARKETS

**STERLING**
**New York :**
$1.9495 (1.9675)
**London:**
$1.9535 (1.974)
DM2.975 (2.995)
FFr9.9675 (10.0375)
SFr2.515 (2.5225)
Y250.25 (254.0)
£ Index 94.9 (96.0)

**GOLD**
**New York: Comex Dec**
$378.5 (391.3)
**London:**
$379.25 (387.5)

**N SEA OIL** (Argus)
Brent Dec
$35.625 (37.625)

Chief price changes yesterday: Page 21

**DOLLAR**
**New York:**
DM1.5265 (1.524)
FFr5.115 (5.106)
SFr1.2905 (1.2857)
Y127.75 (129.0)
**London:**
DM1.523 (1.517)
FFr5.1025 (5.085)
SFr1.2875 (1.278)
Y128.15 (128.65)
$ Index 60.6 (60.5)
**Tokyo close:** Y128.15

**US closing rates**
Fed Funds $7\frac{15}{16}$% ($7\frac{7}{8}$)
**3-mo Treasury Bills:**
yield: 7.38% (7.36)
**Long Bond:**
$98\frac{1}{32}$ ($97\frac{13}{32}$)
yield: 8.93% (8.95)

**STOCK INDICES**
**FT-SE 100:**
2,101.9 (+1.5)
**FT Ordinary:**
1,627.2 (+5.2)
**FT-A All-Share:**
1,014.56 (+0.1%)
**FT-A World Index:**
127.29 (+1.4%)
**New York**
DJ Ind. Av.
2,416.34 (+18.32)
S&P Comp
303.23 (+3.2)
**Tokyo: Nikkei**
23,109.2 (+719.04)

**LONDON MONEY**
**3-month Interbank:**
closing $13\frac{23}{32}$% ($13\frac{21}{32}$)
**Liffe long gilt future:**
Dec $83\frac{31}{32}$ ($84\frac{7}{16}$)

EUROPEAN NEWS

# Schäuble worsens amid growing security concerns

By David Marsh in Bonn

CONCERN over the safety of politicians in Germany rose yesterday as the condition of Mr Wolfgang Schäuble, the Interior Minister, worsened following Friday night's assassination attempt.

A 31-year-old man tried to enter the hospital room of Mr Schäuble in Freiburg yesterday morning, exposing further laxity in security precautions. There was no immediate explanation of why the man had tried to enter the hospital and he was stopped by nurses after claiming he wanted to carry Mr Schäuble's breakfast in.

Doctors at the university hospital in Freiburg said that Mr Schäuble's condition worsened, following an operation on Sunday evening. In the attack on Friday, he was hit in the face and chest by two bullets, the second of which penetrated to near the spinal cord.

Police say the assault, the second near-killing of a top politician in the last six months, was carried out by a psychologically disturbed man.

Although there was some initial relief that the crime was not perpetrated by organised terrorists, it will lead to calls for stepping up relatively lax security precautions at public gatherings in Germany.

Partly because of Germany's history of totalitarianism, security at German political meetings is relatively light. Mr Schäuble himself had to intervene on October 3 after an apparently psychologically disturbed intruder took the rostrum at Germany's key-note Unity Day ceremony in Berlin and started to make a rambling impromptu speech.

Chancellor Helmut Kohl will face a damaging personal and political blow if Mr Schäuble fails to make a quick recovery.

Yesterday Mr Hans Neusel, a state secretary in the interior ministry, was named as his temporary replacement.

The quick-witted and able Mr Schäuble, 48, one of the chancellor's closest advisers, has grown considerably in stature in the last two years and he has been widely regarded as the Christian Democrats' heir to Mr Kohl.

An obviously emotional Mr Kohl, who visited Mr Schäuble in hospital on Saturday, afterwards described the attack as a "terrible affliction". Mr Schäuble, who was minister in charge of the Chancellery until he took over the interior ministry in April 1989, has seldom strayed from Mr Kohl's right hand during the last hectic 12 months leading up to German unity.

He was one of the "kitchen cabinet" who drew up the chancellor's 10-point plan for unity last November, and he played a key part in negotiating the treaty with the East German state which made unity possible on October 3. Mr Schäuble also had the leading role at the beginning of this month in drawing up a new set of election regulations for the December 2 poll.

His alleged assailant, Mr Dieter Kaufmann, an unemployed 37-year-old with a history of mental illness, spent five years in prison in the 1980s on drugs offences.

Police seized him immediately after the shooting at 10pm on Friday, and say he made a full confession afterwards, claiming he had been planning to kill Mr Schäuble for six months. He gave as his motive that he had been suffering from "psycho-torture" at the hands of the state.

On Friday night the gunman, armed with a Smith and Wesson revolver, set upon Mr Schäuble as he was signing autographs at the end of an election meeting in a restaurant near Offenburg his south-west German constituency. One shot hit Mr Schäuble's bodyguard, who was not, however, badly wounded.

Mr Schäuble was protected by three bodyguards as well as six federal police officers and a squad of local policemen at the restaurant.

# Kohl appeals to east Germans

By David Goodhart in Bonn

CHANCELLOR Helmut Kohl yesterday appealed to the hundreds of thousands of East Germans who fled into West Germany at the end of 1989 and beginning of 1990 to return to their old homes and help rebuild their country.

The appeal, which is likely to meet with little response, was made after a buoyant meeting of the executive of Mr Kohl's Christian Democrats (CDU) had surveyed its Sunday night successes in the east German state elections.

As the dominant party in four of the five states, the CDU will regain control of the important Bundesrat, the upper house of parliament, briefly under Social Democrat control since the SPD victory in the west German state of Lower Saxony last May.

Kohl, left, and key CDU colleague Lothar de Maizière in Bonn.

The final results show that compared with the East German national election in March the CDU vote actually fell in three states – Brandenburg, Thuringen and Saxony-Anhalt – but thanks to a slight improvement in Mecklenburg and a large stride forward in Saxony (to 53.8 per cent) the CDU's overall vote rose about two points on the 41 per cent recorded in March.

The SPD scored about 26 per cent (22 per cent in March), the PDS (former communists) 11 per cent (16 per cent in March), and the Free Democrats and Greens/Bundnis 90 about 8 per cent each.

All the latter parties are represented in all state parliaments except for Mecklenburg, where the Greens and Bundnis 90 stood separately.

The turnout was 70 per cent, sharply down on the 93 per cent for the March national election.

There was also a low turnout of 66 per cent in Bavaria, where the Christian Social Union (CSU) comfortably held its overall majority, winning 54.9 per cent.

The SPD scored only 26 per cent; the far-right Republicans, with 4.9 per cent, just failed to get into the Bavarian parliament.

The CSU's success was slightly overshadowed by the poor performance of its east German sister party, the German Social Union (DSU), which failed to get over the 5 per cent hurdle into any state parliament.

The SPD, which will try to form a government without the CDU in Brandenburg, the one state in which it was the largest party, did not get the boost it needed in the run-up to the December 2 all-German election.

The result in Bavaria was particularly disappointing, but the party's improvement in east Germany was understated by the fact that there was no voting in East Berlin, an SPD stronghold.

# Liberals win backing in Hungarian election

By Nicholas Denton in Budapest

HUNGARY'S governing conservatives failed their first electoral test as voters delivered a convincing victory to opposition liberals in the decisive round of the country's local polls.

The liberal coalition took 42.4 per cent of the seats in towns, the main battleground of the parties, compared with 35.7 per cent for the government parties.

The outcome represents a great reverse for the government coalition. It has fallen back sharply in the half-year since Hungary's first post-communist general election. Then, the coalition gained 59 per cent of parliamentary seats.

Disappointment with the government's inertia in the face of spiraling inflation and impending economic crisis led voters to stay at home as much as it persuaded them to turn to the opposition, which promises a more radical move to a market economy. Turnout was only 28 per cent.

However, the result is not quite as bad as it looks for the Hungarian Democratic Forum, which dominates the governing coalition. First, the liberal bloc had only a marginal lead in votes cast, which was magnified by the electoral system. Moreover, the success of independent candidates muddied the results in the countryside, where the governing coalition is strongest.

Finally, the result showed the Independent Smallholders Party, the Forum's troublesome coalition partner, to be a spent force. Mr Jozsef Antall, the Forum prime minister, put a brave face on the results by stressing that it was normal in democratic countries for central and local administrations to be under different parties.

Mr Janos Kis, president of the Alliance of Free Democrats, the largest opposition party, also took comfort from the division of power between central and local government which is crucial to the depoliticisation of the public service.

The opposition and many neutral commentators had feared that an over-confident Forum would seek to fill all important posts - from headmasters and company managers up - with political appointees.

The liberal victory in Budapest is particularly chastening for the government, which had begun to take its supremacy for granted. Control of the capital provides the liberals with a springboard for a bid for national power.

The result also increases pressure for a reckoning between the prime minister's technocrats and the Forum's founding populists, and between radical monetarists and cautious interventionists, to resolve tensions affecting the government.

# Berlin given $28m by EC

The European Commission has given Ecu21m ($28.4m) to Berlin for professional training programmes, Reuter reports from Brussels.

The programmes will reach 9,700 people in the area that was formerly West Berlin, the European Community executive said yesterday.

The money is part of a larger EC scheme for boosting Berlin as a business centre between 1989 and 1991, the Commission said.

Last year the EC awarded Ecu39m to help the city adopt environmental protection measures, promote small and medium-sized businesses, attract exhibitions and renovate industrial sites.

# Belgian teachers' strike highlights the failure of reforms

## Lucy Kellaway reports on how poor pay and conditions are affecting regional policy

ONE might have thought that martial law had been imposed in Belgium last week. Police helicopters circled over Brussels, 2,000 gendarmes equipped with riot gear blocked off streets around parliament, the main traffic arteries of the city were closed and scores of armoured cars and a hundred mounted policemen patrolled the city.

The cause of the security alert was Belgium's peaceful and sensible teachers, 30,000 of whom took to the streets last Tuesday in their most desperate effort yet to resolve the crisis that has gripped the schools in the French-speaking part of the country since April.

The teachers are badly paid – some get as little as BFr32,000 ($1,000) a month – both by comparison to other public sector workers, and teachers in richer Flanders.

The profession is not happy with the 2 per cent real pay rise it has been offered; neither is it satisfied with the sorry state of schools, which are increasingly understaffed and lack even basic facilities.

As a result pupils have learnt precious little in the past six months, and both parents and the public are becoming restive.

The cause of the problem stretches far beyond the classrooms, and shows a fundamental weakness in the Belgian regional reforms introduced over the past few years.

The main reason the teachers' strike has dragged on for so long is that the body responsible for education – the French-speaking community – simply does not have the means to pay them any more money.

By contrast, both the federal government and the regional Wallonian government have the means, but not the power – so the teachers who visited Mr Wilfried Martens, the Belgian prime minister, last Wednesday, were turned away empty handed.

Under Belgium's regional reforms – brought about by the need to keep the Flemish speakers and the Walloons from each others' throats – the French-speaking community was given control of education in its area.

The revenues of the community – which covers the Wallonian region and the French-speaking part of Brussels – were fixed by a set formula, with revenues made proportional to the number of pupils.

That formula turns out to have been miscalculated: with the budget in long-term decline, and with the needs of the system rising, the gap will be at least BFr4bn next year, growing as each year passes. The long-term solution is to get rid of the French-speaking community altogether, handing over most of its responsibilities to the Walloon regional council.

However, any major redrawing of the lines of finance for the regions would have to wait for the new parliament in 1992, which would leave a still unfilled hole in the budget – and in teachers' pockets – for next year.

The teachers, having already staged one of the longest ever strikes in Belgium, are showing no signs of giving up. They are going to continue their agitation for as long as it takes to achieve a solution which will give them more money, and put the schools on a firmer footing.

The hope is that a face-saving deal can be put together this week which will involve concessions from the national government, the regional government and the teachers themselves.

If nothing results, French-speaking pupils can look forward to a compulsory holiday of indefinite duration.

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

## EUROPEAN NEWS

●WORLD REACTION

# Soviet dissidents and workers take edge off praise from foreign leaders

PRESIDENT Gorbachev yesterday won warm congratulations from a wide range of international figures for winning the Nobel peace prize, but the response from Soviet dissidents and ordinary people was one of scorn, writes Our Foreign Staff.

President George Bush: "President Mikhail Gorbachev of the Soviet Union has been a courageous force for peace in the world." He had brought "historically significant" political and economic reforms to the Soviet Union and eastern Europe and helped to improve international stability.

President Vaclav Havel of Czechoslovakia (himself a candidate for the prize): "Mikhail Gorbachev has significantly contributed to the acceleration of inevitable important social changes in the Soviet Union and eastern Europe and he definitely deserves the prize ... Provided that this prize contributes to a peaceful and tranquil transformation of the Soviet Union into a society of nations and citizens with equal rights, we welcome it warmly."

Polish Solidarity leader Lech Walesa, who won the same award seven years ago: "I am happy that your great work was noticed by the world, which is closely watching the changes taking place in your country. Peaceful solutions are ... of great importance not only for the Soviet Union but for all nations and countries."

Mr Vladimir Bukovsky, exiled writer: Recalled the 20 demonstrators killed in the republic of Georgia in April 1989 when soldiers used shovels and poison gas to disperse a nationalist rally in Tbilisi. "I really don't understand how someone could have given the Nobel Peace Prize to a man who condoned intervention."

Mr Leonid Plinsc, mathematician: "Gorbachev has in effect done much for world peace but the fact that he was given the prize seems to me morally improper."

A Soviet worker: "That's all very well, but what does that have to do with me when I can't find any milk?"

Chancellor Helmut Kohl of Germany: "We Germans, whose just-completed path to unity was cleared by the agreements we made ... share the joy of all your citizens at this award ... The Nobel committee has honoured your statesman-like achievement in making peace, understanding and co-operation the guidelines of your country's foreign policy. I wish you strength and success to continue the policies that have just won such high international recognition."

German Foreign Minister Hans-Dietrich Genscher: "Seldom in history has someone in such a short time, and not without resistance and outmoded thinking in his own homeland, accomplished such important influence on basic changes in the international situation."

Prime Minister Margaret Thatcher of Britain: "This is terrific. It is a richly deserved reward."

President François Mitterrand of France: "The good news is fully merited." Mr Gorbachev's action "was the decisive factor in reducing tension in the world and especially in Europe, as well as in the positive evolution of many countries towards democracy."

Prime Minister Toshiki Kaifu of Japan: "I think the award is in recognition of his serious efforts towards improving east-west relations through dialogue with western bloc nations." On Mr Gorbachev's plans to visit Tokyo next April: "I expect the president to take further his excellent leadership and decision to radically improve Russo-Japanese relations."

United Nations Secretary General Javier Pérez de Cuellar: "Mr Gorbachev has contributed in a remarkable manner to détente, first, and then to enhance the role of the United Nations as a peace-making and peace-keeping centre ... I think it is richly deserved."

Prime Minister Ingvar Carlsson of Sweden: "We, the Social Democratic Swedish government, completely share the Nobel Committee's sentiment when it today decided to award you this very well-deserved prize." Swedish opposition Conservative party leader Carl Bildt: "The Nobel Peace Prize won't give more food to Moscow."

King Juan Carlos of Spain: The prize was "an honour that testifies to your intense work to draw together and boost understanding among all the world's nations."

# Tritsis defeats Mercouri in Athenian mayoral elections

By Kerin Hope in Athens

MR ANTONIS TRITSIS, a former socialist environment minister, was elected mayor of Athens by a narrow margin in Sunday's Greek local elections. But yesterday he gallantly asked his defeated rival, the actress Ms Melina Mercouri, to help solve the city's problems.

Mr Tritsis, who was running on the ruling conservatives' ticket, averted a run-off vote by scraping an overall majority of 50.2 per cent, against 45.9 per cent for Ms Mercouri, the joint socialist-communist candidate.

His first-round election was seen as confirmation that the six-month-old conservative government still commands widespread support despite its slim parliamentary majority and unpopular economic policies.

In a generally low turn-out, candidates from the conservative New Democracy party also did significantly better than expected in the provinces, unseating socialist and communist mayors in more than 20 towns, while losing in only half a dozen regional centres.

Mr Antonis Tritsis: gallant after his narrow victory

Ms Mercouri's unexpectedly disappointing performance in Athens was partly blamed on the Panhellenic Socialist Movement's lack of enthusiasm for women candidates, which meant the party machine failed to provide effective support for her campaign.

But the socialists were consoled by a resounding victory in Athens' port of Piraeus where the joint left-wing candidate, Mr Stelios Logothetis, defeated his conservative rival, Mr Sotiris Papapolitis, by 56.7 per cent to 41.8 per cent.

A run-off vote will be held next Sunday in the northern city of Salonica, where the conservative incumbent, Mr Constantinos Kosmopoulos, won 48.3 per cent of the vote to 47 per cent for his left-wing challenger, Prof Dimitris Fatouros.

Although left-wing candidates kept control of the Athens suburbs and outlying industrial townships where about one-quarter of the Greek population lives, the election alliance between Pasok and the communist-dominated Left Alliance proved less successful overall than predicted.

It remains to be seen how quickly Mr Tritsis, a 53-year-old city planner who was expelled from Pasok last year for not backing the socialists in a parliamentary vote of confidence, will adapt to working with a conservative administration, especially if Ms Mercouri agrees to play a role.

Some of his more radical ideas to reduce pollution, such as turning Panepistimiou Avenue, one of the city's central boulevards, into a pedestrian zone, seem bound to conflict with more cautious plans being prepared by the environment ministry.

● Greece is to receive Ecus137m (£94m) to fund nearly half of a substantial programme to improve its telecommunications system, the European Commission announced yesterday, writes David Buchan in Brussels.

The money has been drawn from the Community's three structural funds and is part of a major effort to prevent the Greek economy falling any further behind its EC partners.

# Italy to join partners in free travel zone

By David Buchan in Brussels

ITALY is set to join five of its EC partners in a free travel zone when it signs the so-called Schengen accords next month.

After negotiations which took place in Brussels last week, the five countries which signed the Schengen agreements in June – Germany, France and the Benelux nations – agreed to accept assurances from Italy that it would improve the policing of its long coastline.

As a result, Italy is now expected to become the sixth signatory when the Schengen members meet in Paris on November 27.

Italy had wanted to be a founding signatory of the convention which, when ratified by its members' parliaments, will remove all checks on people travelling across borders between the member countries, while establishing far-reaching police and judicial co-operation among them. However, the five countries said that Italy's lax tradition on immigration and porous geographical position would undermine any initial attempt to create a free travel zone, and that it should wait and join later.

In the wake of rising racial tension, Italy has recently imposed visas on visitors from many non-EC countries and promised its future Schengen partners to strengthen coastal surveillance.

The next candidates for Schengen membership are Spain, to be followed by Portugal. Work is continuing at the EC level to remove or at least reduce internal border controls. However, the other four of the Twelve – Britain, Denmark, Greece and Ireland – do not accept that the 1986 Single European Act imposes on them an over-riding legal obligation to abolish intra-EC frontier controls by the end of 1992.

# Cossiga criticises the 'Berlin wall' dividing Italy

PRESIDENT Francesco Cossiga, attacking indecision and corruption in Italian politics, said on Sunday that there was a 'Berlin wall' dividing the north and south of the country, Reuter reports from Rome.

Referring to the growing economic gap between the rich north and poor south, he said: "The 'Berlin wall' still exists in this country. We are not only divided materially but morally as well. The iron curtain runs through our own people."

Mr Cossiga, speaking in a recorded interview for a television programme, said: "People need limited and controlled government, but one which actually has the power to get things done.

"We need to make sure that the democratic system is also one that can actually govern," he said in reference to the tortuous decision-making process of Italy's coalition governments.

Mr Cossiga, whose seven-year term ends in 1992, also criticised the system of patronage by which jobs in government-controlled enterprises are openly distributed as political favours.

He said he would advise people not to "be afraid to speak out when you see this kind of malpractice".

It was the second time in three weeks that Mr Cossiga, normally reserved, had spoken out on topics of public interest. Last month he urged politicians to do more to combat organised crime.

● Twelve Romanians on a coach tour of Italy have asked for political asylum over the past two weeks, police in the northern town of Trento said on Monday, Reuter adds.

The 12, part of a 30-member touring group, have asked for asylum in groups of one to three. The last two made their request on Monday, the police said.

The asylum seekers told police they were unhappy with the present regime in Romania.

# Poles raise lending rate by 9 per cent

Poland's National Bank, the country's central bank, has raised its basic lending rate from an annual 34 per cent to 43 per cent, writes Chris Bobinski in Warsaw.

The move comes as inflation threatens to grow from a monthly 4 per cent level as the increased cost of imported oil works through the economy. In August, inflation was at a two-year low of 1.8 per cent.

Real wages also grew by 5.3 per cent in the third quarter of the year compared to the second quarter, causing concern to the International Monetary Fund, which is monitoring Poland's attempts to control the money supply.

### Islands radioactive, claims Greenpeace

Crew members on a ship belonging to the Greenpeace environmental group said on Sunday they had measured massive radioactivity levels at a Soviet underground nuclear testing site in the Barents Sea, Reuter reports from London.

The ship, MV Greenpeace is on its way to Norway after being expelled from Soviet waters. Soviet armed guards boarded it off the Arctic archipelago of Novaya Zemlya during an anti-nuclear protest.

Crew members, in contact with Greenpeace headquarters in London, said four colleagues in an inflatable craft evaded Soviet authorities and measured radioactivity levels on one of the islands.

"We are calling on the Soviets to end testing at Novaya Zemlya once and for all," said Steve Shallhorn from Greenpeace. Radioactivity readings on geiger counters registered off the scale of 50 becquerels per square centimetre. A normal reading is between one and three becquerels.

# Truckers block Spanish border posts

TRUCKERS blocked the three main border crossings into Spain yesterday in retaliation for a Spanish strike which has left drivers stranded for days on the French side of the frontier, Reuter reports from Hendaye, France.

French and foreign truckers drew their vehicles across the road at the three posts, barring passage to private vehicles which were previously allowed through barricades on the Spanish side.

Spanish drivers began striking last Tuesday to demand higher state petrol subsidies to meet costs which have spiralled since Iraq's invasion of Kuwait drove oil prices up.

The Spaniards briefly lifted their blockade on Friday but trucks were still stretched back 4km on two to three lanes on the French side.

French police were forced last week to escort convoys of lorries into Spain.

● Hundreds of trucks lined up at the Italian-Austrian border points yesterday as the two neighbouring countries came to a new row over crossing permits, AP reports from Bolzano, Italy. Italian Transport Minister Carlo Bernini ordered the closing of Italian frontiers to all international trucks arriving from Austria to retaliate for the decision by Austrian authorities to deny entry to Italian truckers whose crossing permits do not go into effect until next week.

## WORLD TRADE NEWS

# France to finance Turkish radar deal

**By John Murray Brown in Ankara**

THOMSON CSF, the French state-controlled electronics group, has secured finance, under a $150m contract, to supply Turkey with radar communications systems.

Banque National de Paris (BNP), which is lead manager for the financing, confirmed yesterday that Coface, the French export insurance agency, has agreed an export credit estimated at around $100m.

BNP has arranged commercial finance of $14m. The balance is to be supplied by the Turkish defence industry development under-secretariat, as part of an offset agreement with Thomson's 50-50 joint venture partner, Tefken Holding. There is also believed to be a small French government grant.

Officials say the credit is in line with OECD consensus rates for export credits. The commercial credit will be repayable in eight years with 4½ grace and carry an interest rate 1⅛ per cent above the London interbank offered rate.

The deal for the 14 mobile radar systems is part of a larger contract, worth $310m originally signed last August.

Under a separate $160m deal signed in August, Aydin Industries, a US company with Turkish links, will supply the Defence Ministry with control centres and communications systems for the radars.

The agreement on the mobile radar involves a significant portion of local manufacturing and will provide a valuable boost to Turkey's defence industries. It will provide the armed forces with a greatly enhanced early warning system.

# Telemovil breaks Peru's telephone monopoly

**By Sally Bowen in Lima**

A NEW privately owned cellular telephone company has broken the state stranglehold on telecommunications in Peru.

Telemovil is a joint venture set up by Mr Genaro Delgado Parker, Peruvian television pioneer and chairman of the country's most successful broadcasting chain, Panamericana. Telemovil, which broke into the market only two months ago, now has more than 3,000 subscribers.

"But the potential is almost unlimited," said the company's vice-president Mr Jaime Mur Campoverde. Greater Lima, with a population of some 7m, is estimated to contain 1.1m television sets, yet the capital has only 350,000 telephone lines. Potential customers face years waiting for a costly installation.

Telemovil's concession from CPT, the state-owned telephone company, covers the entire provinces of Lima and Callao. It is already attracting subscribers in outlying suburbs and "new towns" such as Villa el Salvador where CPT lines do not reach.

A cellular phone in Lima does not appeal primarily to the upwardly mobile or travelling salesman.

"Our market will be the ordinary man in the street who can't get a traditional line," says Mr Mur.

So far, Telemovil shareholders have put up $4m to start the company. Another $17m worth of equipment, including additional antennae, switching offices, microwave links and subscriber units, is on order from the US and Canada, financed through a regular commercial loan.

Telemovil, as part of its agreement with state-owned communications monopoly Entel, is also buying a $3m toll office for a joint long-distance interconnected service.

Telemovil's "conservative" target is to attract 10,000 new subscribers annually.

Another new enterprise, Grana y Montero Celular, a subsidiary of a long-established Peruvian construction company, is also negotiating with CPT to form a joint venture which would operate on CPT's own band.

# A cold wind blows from trade talks in Canada

## Political commitment is needed urgently to complete the Uruguay Round, writes **Peter Montagnon**

MRS Carla Hills, the US trade representative, went to considerable pains at last week's trade ministers' meeting in St John's, Newfoundland, to point out the benefits of a successful outcome to the Uruguay Round of multilateral trade negotiations.

She insisted repeatedly that, even by simply cutting tariffs by the proposed 33 per cent, the world's trading nations could add $4,000bn to their economic output.

Yet the bleak conclusion to two days of discussion between the trade ministers of the US, Canada, Japan and the European Community was that this potential prize remains almost as elusive as ever.

The ministers admitted that they would have to shelve the most difficult decisions, such as cutting farm subsidies and liberalising world trade in textiles, to the final Uruguay Round meeting in Brussels in the first week of December.

The St John's meeting thus marked little more than another wearisome stage in the process whereby the senior officials actually involved in negotiating for the Uruguay Round have been seeking to engage the attention and commitment of their political masters.

Their problem is that, for all their efforts in the smoke filled rooms of Geneva, they cannot now advance the cause of the round without some basic political sacrifices by their own governments. This is true not only of high profile agenda items like agriculture and textiles, but also some of the more technical issues such as cutting tariffs, and safeguards – trade barriers which governments can erect to protect industries threatened with a sudden surge of imports.

Unless they can quickly inject some political movement into the round, the officials fear that they will arrive in Brussels ill-prepared to complete the package.

There will simply be so much left to decide and so much technical work outstanding that their ministers will be unable to finish the job in the week available.

The ministers' problem is rather different. Many of them are beset with difficult problems at home.

The US Congress is in a rebellious mood after its row with President Bush over the budget. Mr Brian Mulroney's government in Canada is under pressure not to abandon its support for dairy farmers, which is of crucial political importance in Quebec. The European Community has its well publicised problems with its own farmers and Japan is extremely sensitive to the idea of opening its market to rice imports.

What still frightens the ministers is the idea of using up political capital by making premature and one sided concessions in the Uruguay Round. They are thus engaged in a game of chicken, not only with each other, but also with their own officials who are trying to move the whole process forward.

The result in St John's was a kind of creeping paralysis.

Despite pleas for more political input from a subdued Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, there was no sign of the ministers present yet being prepared to shift their position on the main issues.

No one wants to be the first to move, even if they are increasingly aware of the cost of failure in the round.

Mr Frans Andriessen, EC Trade Commissioner, spoke of the need to complete the round quickly because the world economy was deteriorating in the wake of the Gulf crisis.

Mrs Hills did not mince her words, in warning of trade wars if substantial agreements were not reached on time in the round.

Several participants warned that leading developing countries, who are due to hold their own meeting in early November, might walk away from the round unless there was clear evidence of progress by then. And all were agreed that the round had to be completed on time.

Meeting that objective may now, however, be easier said than done. The long delay in instilling political momentum means that the Brussels agenda will be exceptionally heavy, as Mr John Crosbie, Canada's trade minister, acknowledged.

Another senior Canadian official suggested it would be possible to reach only a framework agreement of principle in Brussels, leaving technical details to be filled in later.

Though some ministers now acknowledge that such an outcome may be inevitable, this idea had little appeal, partly because any hint that the final deadline is being extended would only encourage further foot dragging.

The US in particular fears that it would cause problems with Congress, which is looking to the round for a substantial package of reforms designed to open up world markets to US exports of goods and services and put an end to what it considers the unfair trading practices of others.

The negotiating authority it has given to the Bush administration runs out on March 1 next year and could even be withdrawn earlier if Brussels turns out to be unsatisfactory.

The US has always argued that it needs the time between December and March to prepare the necessary legislation for Capitol Hill.

Some in St Johns were also seeking to lower expectations.

"Let us not become the victims of our own ambitions," said Mr Andriessen.

The Uruguay Round need not go down as a failure, he said, even if it does not achieve everything that it set out to do.

For Mrs Hills, however, there is not much middle ground between total success and total failure. The marked slowdown in the US economy means that the protectionist pressures which the round is supposed to prevent are likely to increase rather than diminish in the near future.

As the St John's meeting closed she was adamant that she needed full agreement in December. "There is no 'after'," she declared.

Her problem however is that the Congressional shopping list is long. She has precious little political room to make the gesture needed to allow her to come home with the – unsubsidised – bacon.

**European Community farm ministers are set to resume their discussions today on Brussels' proposal for a 30 per cent cut in agricultural subsidies, Tim Dickson reports from Brussels.**

**The plan, the EC's negotiating position for the final stages of the Uruguay Round trade talks, hit fierce criticism at a meeting of the EC Farm Council last week. A majority of ministers complained it represented a considerable sacrifice for EC producers and that some of the details were not clear.**

**EC officials, who last night were digesting the implications of the US and Canadian offers, formally tabled yesterday, predicted that today's meeting was bound to be contentious and that it could last well into the night.**

**Individual farm ministers and their spokesmen were last night saying there might have to be further assurances from the Commission on the issue of export subsidies, as well as more clarity about the Commission's plan to introduce compensation schemes or "accompanying measures".**

GATT

# Intel unveils advance in laptop computer microchips

**By Stefan Wagstyl in Tokyo**

INTEL, the US semiconductor maker, yesterday unveiled a new microprocessor which it claims will drive a new generation of laptop computers powerful enough to run programmes written for desktop machines.

The company made its announcement in Tokyo, in a move which highlights the importance of Japanese electronics groups in making personal computers.

Mr Andrew Grove, Intel president, said the company recognised Japanese makers' capabilities. Mr William Howe, president of Intel Japan, said: "This is the focus of the laptop computer industry."

Intel said the new chips were its most important new product since the launch in 1985 of its 386 series microprocessor, a chip extensively used in desktop and laptop machines in the US, Japan and elsewhere. The new chip, the 386 SL, is a special version of the 386, designed specifically for laptops to boost performance and cut electricity consumption.

Intel also unveiled a second chip for use with the 386 SL – the 82360 SL – a chip which will control the clock and other peripheral functions. It will be the first time a computer is controlled by just two chips.

Intel said that by 1993 it planned to bring all the functions on to one chip. As recently as 1984, personal computers required 170 separate processor chips.

The new chips will go into production in the first quarter of 1991. Personal computers using the devices will probably be put on sale by computer manufacturers later in the year.

Intel, which pulled out of making memory devices in the 1980s to concentrate on microprocessors, has announced its new product ahead of other chip makers, who have yet to master the level of integration required to mount all the processing elements for a computer on two chips.

Intel supplies microprocessors for most Japanese-made laptop computers; most of the rest use Intel-designed chips made under licence by Japanese electronics groups.

Intel says about 10 per cent of its worldwide sales are made in Japan, but the figure does not include sales to foreign subsidiaries of Japanese companies.

The Japanese share is expected to grow because of the rapid expansion of the desktop and laptop computer market in Japan.

**Matsushita Electric Industrial, the Japanese electronics combine, is considering buying a US microchip factory from National Semiconductor, a leading American semiconductor maker, Stefan Wagstyl reports from Tokyo.**

**National Semiconductor is seeking up to $125m (£63.4m) for its newest plant, at Puyallop, near Seattle, which it put up for sale recently following a decision to reduce production of memory devices.**

**If the deal is completed, the factory would be Matsushita's second overseas semiconductor plant. The other is in Singapore.**

**The company is keen to start production in the US and in Europe, in order to improve links with its markets and minimise trade friction.**

# Move to block French plant aid

FOUR European synthetic-fibre makers have jointly filed suit with the European Court of Justice to block a French government subsidy to Allied Signal Corp. of the US to build a plant in France, AP-DJ reports from Paris.

ICI, Akzo, Hoechst and Snia Fibre say Allied's proposed plant at Longwy, north-west France, could lead to over-supply of high-strength polyester yarn, leading to a price war and lay-offs in Europe.

Under EC rules, governments can subsidise up to 30 per cent of investment in a regional redevelopment project. Allied Signal could receive about FFr200m (£19.7m) French aid if the project went through, an official said.

# White House takes tough stand on interest rates cut

By **Peter Riddell**, US Editor, in Washington

THE Bush administration will press for a bigger cut in US interest rates than the Federal Reserve contemplates making once a revised budget package is passed by Congress.

The Fed may be willing to endorse only a token cut of about a quarter percentage point in response to the enactment of a budget, probably some time next week.

However, policymakers at the central bank are apparently divided about whether there should be a further easing in monetary policy in response to the growing evidence of a weakening economy, or whether rates should be propped up to maintain a firm anti-inflationary stance.

Mr John Sununu, White House chief of staff, said at the weekend that the administration was hoping for "significantly more" than a quarter point cut. "We're hoping for both a short-term and long-term movement in a downward direction."

Mr Michael Boskin, chairman of the president's council of economic advisers, said yesterday that in spite of higher oil prices he expected the economy to continue to grow weakly in the fourth quarter.

He forecast gross national product growth of "a little below" 1 per cent for 1990 and "a little above" 1 per cent for next year.

The administration yesterday kept up its pressure on Congress to complete budget legislation by midnight on Friday, when the US government runs out of money. Most participants expect at least another temporary shutdown next weekend as a joint Senate/House conference tries to reconcile differing versions of the legislation.

It is possible President George Bush will reject a first package, but an eventual compromise is probable. Its character and timing depend on how far House Democrats push their desire to raise taxes on the wealthy and how far the White House is willing to go in accepting some tax increase.

The final result looks likely to be both higher taxes for the better-off and a larger overall increase in the tax burden than in the original budget package, defeated 11 days ago by the House.

Mr Bush, who yesterday began a two-day political campaign trip, said Republican leaders and he were "pretty much on the same wavelength" in preferring the Senate finance committee plan over the House Democrats' proposals.

The Senate committee package, passed with bipartisan support, envisages no changes in income tax or capital gains tax rates, but proposes limiting deductions for those earning more than $100,000 a year.

The House Democrats' plan, which has a strong chance of being approved by the full House, both substantially increases upper tax rates and delays indexing of tax brackets and exemptions for one year.

The original budget package would have raised an additional $18bn in income tax revenue over five years, the Senate committee version an extra $29.3bn, and the House Democrats' plan $93.6bn.

# Senators compromise on cable TV regulation

By **Peter Riddell**

PROSPECTS for far-reaching US legislation regulating the cable television industry have been revived following a compromise in the Senate. The White House could still block the measure, however.

Attempts to impose tighter curbs on the industry were blocked last month by cable operators and their Senate allies.

The compromise between Democratic Senators Al Gore, a main sponsor of the measure, and Tim Wirth, who blocked consideration in late September, concerns exclusivity.

The cable industry had opposed an original provision that would have restricted the ability of those cable operators which also own programme producers to make exclusive deals and to refuse to license material to competing distributors, such as satellite services. Much popular programming is produced by companies which own local cable franchises.

The compromise recognises the industry's right to enter into exclusive contracts but it authorises the Federal Communications Commission to stop such deals if they block competition.

Consequently, vertically integrated cable companies would be prevented from "unreasonably refusing" to enter programme agreements with competitors. This should assist the satellite-dish market.

A broadly similar version of the bill has passed the House, although a conference will be required to resolve differences.

The biggest obstacle is the attitude of the White House, which opposes provisions extending federal regulation of cable rates. The bill has been prompted by public concern over big rate increases and the deteriorating services of some cable operators.

Senator Gore said at the weekend that it was too early to tell if opponents of the bill could delay it. "The lateness of the legislative calendar means that if a few people convince the president to make trouble for it, that means big trouble."

# Drexel trader accuses Milken

By **Nikki Tait** in New York

A FORMER bond trader at Drexel Burnham Lambert yesterday claimed there was a direct link between Mr Michael Milken, former head of the junk bonds department at the now defunct US investment bank, and alleged manipulation of the stock of Wickes, a home products company.

The allegation came at a Manhattan hearing considering sentencing of Mr Milken, who has pleaded guilty to six charges related to securities law offences and who has agreed to pay $600m (£304.5m) in fines and restitution. The government has submitted details of other alleged wrongdoing, which it claims should be considered in sentencing.

The judge called for a hearing on a selection of these matters "to shed light on Mr Milken's character". Wickes, which was a Drexel client, is one of three situations likely to be covered.

Mr Peter Gardiner, who traded convertible bonds for Drexel, said that on the afternoon of April 23 1986 he heard Mr Milken say several times that Drexel was looking for "unsolicited buyers" of Wickes' common stock.

Wickes wanted to retire some expensive preferred stock but, to force investors to convert into lower yielding common stock, it needed its share price to close at or above $6⅝ for a further day. Asked by Mr John Carroll, prosecuting, if seeking an unsolicited buyer was a contradiction in terms, Mr Gardiner said: "Sure." Under stock exchange rules Drexel could not have formally solicited buyers for the stock.

Asked whether he understood this sort of instruction to mean "keeping an ear to the ground or going out and finding buyers", Mr Gardiner said: "It could be both."

Mr Gardiner said he subsequently called several clients to ask if they were interested in buying stock on an unsolicited basis.

In further conversations with Mr Milken, Mr Gardiner said, he "understood Mr Milken to be telling me to use clients and agents to make the stock close at $6⅝". Mr Gardiner said he later told his immediate boss, Mr Alan Rosenthal, that "we'd run out of ammo", that further buyers could not be found. He said that after the market closed, however, he asked Mr Rosenthal what happened and was told: "Cary took care of it".

On Friday Mr Cary Waltash – another member of the bond department – conceded he had phoned the Boesky Organisation asking them to buy share in Wickes in the last 15 minutes of trading, but said he had received instructions from Mr Gardiner.

Mr Milken's lawyers do not dispute the stock price manipulation by Drexel but deny their client was responsible.

# Cuba falls prey to perestroika

## Tim Coone on growing apathy and economic gloom on the island

CUBA and its 31-year-old revolution look set to be among the ultimate casualties of perestroika.

Soviet aid is faltering. The island's economy, dominated by sugar, cannot absorb the shock of market prices being introduced by its former Comecon partners. The US economic embargo remains in force, providing further disruption. Yet President Fidel Castro obstinately clings to discredited socialist formulas and Cubans face ever-growing hardship and uncertainty.

Household electricity supplies have just been cut by 10 per cent, with a warning of more cuts to follow. Petrol rationing has been introduced on an even more draconian scale. As of this month, truck operators who expected 345 litres of fuel until the end of the year will receive only 175 litres.

One of the country's strategic nickel plants is being closed to save energy, 90 per cent of which is provided by the Soviets as part of a five-year deal that ends in December.

On October 5 President Castro had to bring forward a series of reforms within the Cuban Communist party, unexpectedly slashing its bureaucracy by up to 50 per cent. But the Cuban leader continues to offer his long-suffering subjects the embattled view that "socialism will survive in Cuba." The personality cult surrounding Fidel which accompanies this ever more desperate crusade seems to have become omnipresent.

According to a Soviet trade official in Havana, free-market prices in convertible currencies will be used to calculate the value of goods and services traded between the two countries from next January when the current agreement expires. Instead of paying four to five times the world price for Cuba's 4m tons of sugar exported annually to the Soviet Union, the latter's main import, the world price in US dollars will be used to calculate the value.

The same rule will apply for nickel and citrus exports, and for Cuba's imports from the Comecon countries.

Since Cuba conducts 85 per cent of its trade with Comecon, this could lead to a drop of two-thirds in volume. Cuba will barely be able to afford to buy the fuel it has to import to keep the wheels of its economy turning, let alone the raw materials and spare parts upon which Cuban agriculture and industry depend.

The country's plight has been underlined by moves in recent weeks to mobilise cattle for use instead of tractors. The Cubans are desperately hoping some form of preferential pricing can be arranged.

Mr Eugenio Balari, director of the Institute of Internal Demand in Havana, admits that "the structure of the Cuban economy does not allow for quick adjustments." The aim, he says, is to keep the economy ticking over while "priority projects which earn foreign exchange will not go short."

Mr Julio Garcia Oliveras, the president of Cuba's Chamber of Commerce and a long-time friend of President Castro, said: "We have to find an alternative, but we cannot provoke a social crisis. We have to defend the advances made in health and education, because otherwise the revolution does not make sense."

The rigidity of the political system works against creating an evolutionary model of uniquely Cuban socialism. Over the years professionals, free-thinkers and intellectuals have been steadily removed from positions of power and influence, when their views have clashed with party orthodoxy.

Cuba lacks both the funds and the skills rapidly to make its economy internationally competitive. The state and Communist party have painted themselves into a corner.

A possible political opening lies in the fourth Congress of the Cuban Communist party (PCC), due to be held by the middle of next year. But diplomats, journalists and dissidents who have followed the internal party debate believe any changes will be largely cosmetic. Private wealth creation is still frowned upon by the party; political pluralism even more so.

A private letter sent this year by the Catholic bishops of Cuba to President Castro, calling for a democratisation of Cuban society and political reform, was received angrily and brought a sudden end to the recent thaw in relations between the church and state.

Small groups of dissenting students have emerged in the universities, but they remain clandestine. Dissident groups in Cuba are firmly circumscribed, and according to various semi-clandestine human rights activists in Havana, even the limited space for their activities has been further restricted since the Ochoa affair last year.

General Arnaldo Ochoa and three senior Interior Ministry (Minint) officers were executed by firing squad a year ago, after a show trial in which they were found guilty of involvement in drug trafficking. Speculation still abounds in private as to whether he was the leader of a planned putsch against President Castro.

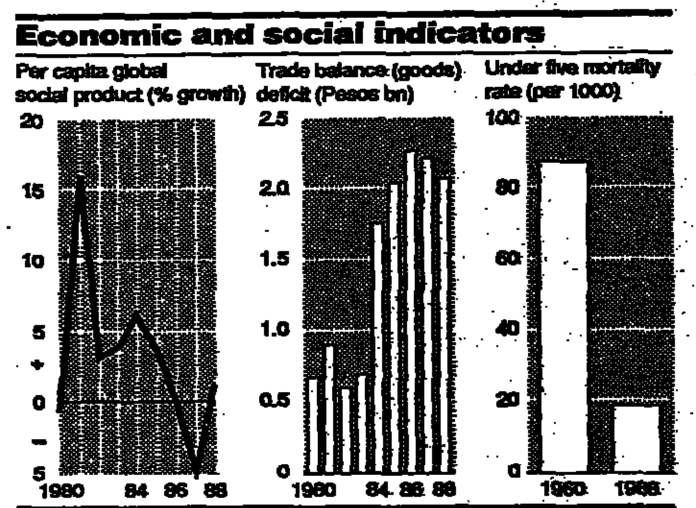
The Ochoa affair resulted in the arrest or dismissal of virtually all the senior and many middle-ranking officers in the Minint – some say the figure is in the hundreds – and their replacement by army officers under the command of General Raul Castro's, Fidel's brother.

Many state-run commercial enterprises have also come under army control since then. A broom has swept through what was once a major part of the revolutionary elite and left a trail of broken careers, deep distrust and resentment.

As at no other time since 1959, President Castro must now wonder upon whom he can truly depend. His calls to the population for further sacrifice are greeted with growing apathy. The silent, "go-slow" sabotage which is a feature of Cuban life may progressively paralyse an already near-moribund economy.

President Castro has played out his historic role. He could only regain the initiative if he were to change direction. But he shows no inclination to do this and Washington appears unwilling to seek any reconciliation. Indeed, the US has toughened its stance, encouraging the vociferous community of Cuban exiles in Miami to plan for the day when a discredited President Castro is either overthrown or the regime simply collapses from within.

**Economic and social indicators**




# Latin American summiteers surmount the region's barriers

By **Joe Mann** in Caracas

THE Rio Group of Latin American nations, which concluded a successful meeting in Caracas at the weekend, is attempting to set itself up as a new voice for the region. It is also seeking to provoke real changes in existing multilateral organisations, as well as flow of trade and investment.

The Caracas conference, the latest in more than four decades of efforts to achieve political and economic integration for the region's 430m inhabitants, comes at a time when democratically elected governments predominate in Latin America and the Caribbean.

The previous sharp political differences between democratic governments and former dictatorial administrations have been eliminated, while regional leaders are now embracing the idea of promoting free-market economies.

However, regional conflict and pressures remain. Countries such as Mexico and Chile are trying to work out their own bilateral trade agreements with the US. Moreover, two of the most important regional economies – Brazil and Argentina – are going through painful and disruptive reforms whose results are still far from clear.

Despite the strong differences of opinion and interest among the leaders in Caracas some agreements were nailed down.

The summit declaration, signed by the presidents of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Uruguay and Venezuela (Peru's President Alberto Fujimori was absent because of domestic political pressures) included the following points:

- Support for President George Bush's Initiative for the Americas, a scheme to promote regional trade and investments.
- A call for restructuring the two principal institutions of political and economic integration in the region – the Organisation of American States and the Latin American Integration Association. These are generally viewed in the region as ineffectual.
- Studies were commissioned on the feasibility of setting up a "strategic investment fund" to finance priority projects, and finding ways to ease economic problems caused by the Gulf crisis and on developing a plan for regional energy self-sufficiency.
- The group also called on all parties in the Uruguay Round of trade negotiations to work for an agreement that is "congruent with the efforts to achieve integration and co-operation".

Carlos Andrés Pérez: warning on dependency

But despite Latin America's poor record in achieving integration, the needs and rewards of economic co-operation are now greater than ever.

As Venezuela's President Carlos Andrés Pérez warned at the end of the summit, if governments in the region do not reach effective agreements covering trade and investments by themselves, "we will be integrated by others, and we will be more dependent than ever."

## AMERICAN NEWS

# Brazil's immigrants on the margin

**Victoria Griffith** on the effects of President Collor's austerity measures on the fate of thousands of illegal hispanic workers

Thousands of illegal immigrants find work in Brazil's textile industry

AT a quarter to one in the morning, the insistent purr of sewing machines can still be heard in the Bolivian slums of São Paulo. The end of the working day is nearing, but the respite will be short. At eight o'clock the next morning the seamstresses start again.

As hard as life is for the thousands of hispanics who fill the sweat shops of Brazil's large cities, it has always been better than where they come from. That is until now.

Living at the very margin of society, Brazil's illegal immigrants have suffered more than most from President Fernando de Mello Collor's austerity plan.

Margarita and Victor, well-educated Bolivians from La Paz, moved to Brazil a few years ago because Victor could not find work at home.

Margarita was employed as a schoolteacher at the time, but with her salary of just $3 a month the couple could not make ends meet.

Like thousands of other illegal immigrants, they found the only job open to them in Brazil was sewing. "Six of us live and work in this one room," complained Margarita. "But at least in São Paulo, we can survive."

Now, for the first time, Margarita and Victor are thinking about moving back home. "Our wages are not keeping up with inflation," explained Victor, as he pushed another linen curtain under the needle of his machine. "And the Koreans we work for have threatened to start laying people off. They are nervous about new, cheaper imports coming into the country."

The hispanic immigrants of Brazil mirror the economic and social problems of the continent. The pattern of immigration has been changing over the past year.

Thousands of new arrivals have appeared on the scene from the collapsed economies of Peru and Argentina, while immigration from Chile, now in an up-swing, has ground to a halt.

Hispanic immigrants provide a huge source of cheap labour for Brazil, although this is denied by the Brazilian government and foreign diplomats.

According to the Catholic Church, whose missionaries serve the foreign immigrant community throughout the country, there are at least 500,000 hispanic immigrants in São Paulo alone and some 70,000 in the small southern city of Porto Allegre.

The Brazilian justice department sets the number at just 70,000 for the entire country. A spokesman for the Peruvian consulate in São Paulo claimed nearly all the 700 immigrants he estimates to be in Brazil are students.

"The profile of hispanic immigrants in Brazil has been changing over the last few years," explained Rita Bomasse, an Italian missionary who runs the Voluntary Association for the Integration of Immigrants in São Paulo.

"It used to be mainly professionals who came here – doctors and mechanics. Now unskilled labour has begun to arrive, especially from the poor countries of Bolivia and Paraguay."

According to her the situation is deteriorating for the immigrants. While more unskilled labour is arriving, jobs are becoming scarcer.

The austerity measures being adopted by the government have introduced to Brazil one of the few social problems the country has never had – widespread unemployment.

A government crackdown on tax audits is exacerbating the situation for immigrants, as companies are becoming ever more nervous of employing workers who do not have legal papers.

Without any legal rights, hispanic immigrants have become victims of Brazil's social and economic troubles. Seventeen-hour days in the sweat shops are common. Muggings and robbery are a part of life.

"They know we can't complain to the police," explained Margarita, "so they just take what they want." Ms Bomasse fears the social problem may soon get out of hand. The church where she works in São Paulo is receiving about 20 new immigrants a day, all in need of food and shelter.

"We are running out of room and funds," she said. "And I'm afraid we might have to start turning people away."

*Caught between economic* devastation at home and poverty in São Paulo, many of the immigrants have nowhere else to go. As the Brazilian economy contracts, those at the margin may simply be pushed into the streets.

**INTERNATIONAL NEWS**

# Australia reduces official interest rate to 13%

**By Kevin Brown** in Sydney

THE Australian government yesterday bowed to growing internal pressure for an easing of its tight monetary policy by cutting official money market interest rates by one percentage point to 13 per cent.

The move had an immediate impact on commercial interest rates. The Commonwealth Bank said its rate for leading corporate customers would fall from 16.5 per cent to 15.5 per cent, and the ANZ Bank cut its rate from 17 per cent to 16 per cent. Other banks are expected to follow suit later this week.

On the local foreign exchange market, the Australian dollar fell from US$0.8147 to US$0.7970 after Mr Paul Keating, the treasurer, said the Australian currency was overvalued.

Mr Keating said he was cutting interest rates because falling imports indicated the economy had slowed sufficiently. High interest rates have been the treasurer's main weapon in the fight to reduce Australia's current account deficit from more than A$20m (£8.4m) last year to a target of A$18bn.

However, the reduction followed a series of politically damaging criticisms of government policy by Labor leaders, including Mr Bob Carr, the parliamentary leader in New South Wales, and Mr John Bannon, the premier of South Australia and federal party president.

Mr Bob Hawke, the prime minister, dismissed Mr Carr's claim that Australia was in the throes of its worst recession since the second world war, but the affair provided powerful ammunition for the Liberal/National Party opposition, which has pulled ahead in the opinion polls since Labor was returned at a general election in March.

Labor has also been confronted by unrest in rural Australia, where many farmers have been squeezed between high interest rates and falling commodity prices. Farm incomes in some sectors are forecast to fall by up to 50 per cent this year.

The cut in rates was widely welcomed, but some economists said it was unlikely to be sufficient to stave off a serious recession. There was also some concern about the outlook for inflation, currently 7.7 per cent.

The Australian Reserve Bank said the underlying rate of price increases was falling, but the bank did not appear to have allowed for the impact of higher oil prices caused by the Gulf crisis.

Mr Peter Reith, the opposition finance spokesman, said the reduction would be unsustainable without rapid progress on structural reform of the economy, including deregulation of the labour market.

MALAYSIAN OPPOSITION PARTIES PUT FORWARD REFORMS

Political parties opposed to Dr Mahathir Mohamad, the Malaysian prime minister, have raised the stakes in next weekend's general election by proposing political, social and economic reforms, Lim Siong Hoon writes from Kuala Lumpur.

Among other things, the proposals call for more political liberalisation – an end to detention without trial, for instance – and greater autonomy for corruption investigators. The proposals also cover elements that would roll back some aspects of privatisation, such as medical care and infrastructure construction.

Road privatisation has been turned into an election issue. There have been violent demonstrations against a toll road in the Kuala Lumpur suburb of Cheras.

Former finance minister Mr Razaleigh Hamzah has formalised the pact his Semangat '46 party reached with the Democratic Action Party (DAP), the country's huge Chinese opposition group. Above, DAP election posters and flags are displayed by a street vendor alongside baby pictures.

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# Top Seoul delegation goes to Pyongyang

**By John Ridding** in Seoul

THE most senior South Korean delegation ever to visit North Korea will travel to Pyongyang today for negotiations on improving relations and promoting the unification of the divided Korean peninsula.

The Foreign Ministry in Seoul said the South Korean delegation, headed by Mr Kang Young Hoon, the prime minister, will seek an eight-point agreement on reducing tensions and adopt a flexible posture towards North Korea's conditions for improved ties.

These demands, which include the suspension of annual South Korean-US military exercises, the release of three unauthorised visitors to North Korea currently imprisoned in the South, and a delay in Seoul's application for UN membership, were the principal stumbling blocks in prime ministerial talks in Seoul last month.

But diplomats and analysts said they remained sceptical about prospects for a breakthrough in relations during Mr Kang's four-day trip.

"Like the negotiations in Seoul, the importance of this round of contacts is still mainly symbolic," said one western diplomat.

None the less, the fact that the meetings are being held at all reflects substantial progress in inter-Korean relations.

Since the last prime ministers' meeting, South Korea has concluded diplomatic relations with the Soviet Union, one of Pyongyang's main allies. The rapprochement between Seoul and Moscow, and the much slower warming between Seoul and Peking, has pushed Pyongyang into a more accommodating stance towards Seoul.

● Veteran South Korean politician Kim Dae-jung was forcibly taken to hospital by his supporters yesterday on the eighth day of his hunger strike for democratic reforms, witnesses said, Reuter reports from Seoul.

# Brussels mediates in Rwandan crisis

**By David Buchan** in Brussels

THE LEADERS of Rwanda, Uganda and Belgium were yesterday engaged in high-level diplomacy to try to settle the conflict in Rwanda.

Fighting began when rebels based in Uganda attacked the Rwandan government, which has invited Belgian and French troops in to protect its citizens.

President Juvenal Habyarimana of Rwanda said he would first consult with Mr Wilfried Martens, the Belgian prime minister, in Nairobi, before flying to Tanzania to meet President Yoweri Museveni of Uganda.

The most startling recent twist was Mr Martens' decision to fly to the region on Sunday night, taking his foreign and defence ministers with him, in an attempt to mediate a peaceful end to the two-week conflict.

Last week France and Belgium, which administered the former German colony of Rwanda from 1919 to 1962, respectively sent 200 and 500 paratroopers to Rwanda to help evacuate European citizens, including 1,600 Belgians.

Reports that the Rwandan army had massacred civilians prompted calls, particularly from Mr Martens' socialist partners in the ruling Belgian coalition, for troops to be pulled out.

According to agency reports, Mr Habyarimana has not ruled out talking to rebel exiles from the Tutsi tribe, but he said it was important to go the source of the invasion, an apparent reference to the Ugandan government.

# NZ inflation rate buoys Labour

**By Dai Hayward** in Wellington

THE New Zealand Labour government, fighting to avoid defeat in the October 27 election, was buoyed yesterday by figures that show inflation has fallen to 5 per cent and a public opinion poll showing that Labour has cut the lead of the National Party opposition by 11 points.

National still leads Labour by 50 points to 34 among committed voters but this is closer than the 59-32 gap in the polls only a week ago.

The number of "don't knows" remains at 33 per cent and Labour Party chiefs hope Prime Minister Mike Moore's "man of the people" campaign, aimed at traditional blue-collar Labour supporters, will attract enough uncommitted voters to keep Labour in power.

They say Mr Moore's promotion to prime minister five weeks ago has already been justified, ensuring that even if Labour is defeated it will keep a respectable representation in Parliament.

Asked who they would prefer as prime minister, 27 per cent of voters backed Mr Moore, up 7 points, compared to 10 per cent for the National leader, Mr Jim Bolger.

The cost of living index for the September quarter rose only 1 point, the lowest for 15 months. Inflation is now less than half that of the UK and is lower than in Australia or the US.

Although some economists say it will be boosted again by petrol price increases, both Mr Moore and Mr David Caygill, finance minister, say the target of nil to 2 per cent inflation within two years would still be attainable.

# Lee defends Singapore press circulation curbs

**By John Elliott** in Hong Kong

A STRONG reaffirmation of Singapore's determination to limit the sales of foreign newspapers which it claims "interfere" in its domestic politics was given yesterday by Mr Lee Kuan Yew, the prime minister.

He was speaking on the opening day of the Commonwealth Press Union, a few hours after the Asian Wall Street Journal announced that it was halting its circulation in the country.

Since 1987 the Journal has been restricted to circulating 400 copies a day, down from 5,000 earlier. Yesterday it said that trying to meet new Singapore restrictions based on a permit system for all papers carrying news on South East Asian politics and current affairs would "degrade the product".

"The Singapore government's position is straightforward," said Mr Lee. "It will not allow interference by foreigners in its domestic debate."

His remarks were targeted at "regional newspapers based in Hong Kong and owned by American news corporations".

This was a reference to the Journal and the Far East Economic Review, both controlled by Dow Jones of the US.

# HK applications to begin for British passports

**By John Elliott**

ABOUT 350,000 Hong Kong people, ranging from aircraft maintenance engineers to well-known entrepreneurs, will begin applying in December for British passports, which are to be issued to 50,000 key people in an attempt to stem the colony's brain drain.

Yesterday a draft order setting out details of this nationality scheme was laid before the British parliament in London under the British Nationality (Hong Kong) Act which became law on July 26. The scheme will be administered by Sir David Wilson, the governor of Hong Kong, acting with the help of an advisory committee.

The act was introduced after a rapid increase in the number of people emigrating from Hong Kong to gain foreign passports in countries such as Canada and Australia before the colony returns to Chinese sovereignty in 1997. As many as 62,000 men, women and children are expected to join the brain drain this year.

The public sector is expected to account for 30 to 40 per cent of the total 50,000 passports, 43,200 of which will be issued on a personal points system with a maximum score of 800, depending on age, education, language and other factors.

The aim is to keep people who are progressing quickly towards important jobs, so those aged between 30 and 41 will score most, with 200 points, on a scale ranging from nil at age 20 or below, to minus 200 at 61 and above. Of the 43,200, 36,200 have been allocated to a general occupational class. This will be divided up soon into specific numbers for 20 occupational groups according to their size and contribution to the brain drain.

Disciplined services including police, prison officers, firemen and anti-corruption officials will receive 7,000 passports.

People working in a sensitive service class, including top public servants and some private-sector candidates, are to be personally invited by the government to receive 6,300 passports, and 500 more have been allocated to "well-known and respected" entrepreneurs.

# Japanese trade surplus down 3.9%

JAPAN'S merchandise trade surplus eased in September to $6.9bn (£3.5bn) 3.9 per cent down on the same month last year, as higher oil prices boosted import values, Ian Rodger reports. Imports grew 10.3 per cent to $18.9bn, according to customs cleared figures published by the Ministry of Finance. Exports rose 6.1 per cent to $25.8bn, but volumes were up only 1.9 per cent after 4.7 per cent rise in August.

# Shadows cast a pall over India's festival of light

**David Housego** on how the holiday mood has been shattered by religious and caste violence

THE coming few days are traditionally the most festive period in the Indian calendar with people celebrating the Diwali holiday by illuminating their houses with candles and colouring the night sky with fireworks.

But with the violence of caste and religious conflict throwing a shadow over the country, perhaps more threateningly than at any time since independence, many people feel that there is little to celebrate. Few fireworks are on sale in the shops; the bazaars are still sparsely decorated.

In Delhi, the most poignant reminder of the tensions are the continuing suicides by young students setting fire to themselves in protest against the Prime Minister V.P. Singh's programme for reserving 27 per cent of jobs in central government service for the lower castes.

Studies of their deaths show that most of them come from poor urban families with the suicide prompted by a mixture of despair and glory in martyrdom. Delhi's universities are the main magnet for upper caste students seeking to enter government service.

The shadow of potential Hindu–Moslem conflict also looms heavily over Delhi these days with the arrival in the capital of the Rath Yatra (pilgrim chariot) of Mr L.K. Advani, the leader of the radical Hindu BJP party. Mr Advani is on a national crusade to mobilise support for the building of a Hindu temple on the site of a mosque at Ayodhya in northern India.

It is probably the first time since independence that a senior politician has embarked on such a widespread campaign to accentuate differences between Hindus and India's 140m-strong Moslem minority.

Huge emotive Hindu crowds have been following Mr Advani's "chariot" – a truck decorated as the heavenly vehicle of a Hindu deity – through the streets of Delhi. Mr Advani will end his journey at Ayodhya on October 30, when Hindu fundamentalists plan to begin construction of the temple.

In recent days there have also been reminders of the gravity of the economic crisis. Long queues formed at petrol stations after the government announced a 15 per cent cut in oil consumption on Friday night. The 25 per cent price increase imposed on Sunday night is enough to unleash popular anger against the government, which has done little to prepare the Indian public for the impact of the Gulf crisis.

Inflation will now inevitably climb into double digits – a level traditionally seen in a democracy dominated by the poor as jeopardising the life of a government.

The main difference between this crisis and others in the 1960s and 1970s is that it coincides with social changes that have been 20 years in the making and have now come to a head. Above all Mr V.P. Singh's job reservation programme is seen as unleashing a final assault by the "have-nots" – the poor and the often-quite-prosperous lower castes – on the positions of power

With time running out on all fronts, Mr Singh (above) could find that all his political and economic woes come to a head at the same time

and patronage in government which they claim have been monopolised by an upper caste elite.

For the latter – who account for 20 per cent of the population in the north and who are often poor themselves – entrance by merit to government service is a cherished principle. A former minister even raised in conversation the other day the possibility of a military takeover if reservations were extended to the armed forces. India is still far from that – but the speculation is indicative of the mood.

The fragility of Mr Singh's coalition government reflects the current turbulence. Decisions are being shelved on all but the most pressing issues and the small liberalisation of industrial and foreign investment policy announced in June has not been implemented because of disagreements over which industries would benefit.

The weakness of Mr Singh's own position has been underlined by demands for him to step down from 29 parliamentarians from his own minority Janata Dal party. But Mr Singh's strong card is that no party wants the responsibility of bringing him down. If he should fall, there are likely to be attempts to form a new coalition with elections possible in the spring.

The event that poses the most immediate test to the survival of his administration is the march on Ayodhya on October 30. The risk for Mr Singh is that if he sticks to his decision to prevent the construction of the temple then the BJP could withdraw its support from the government. At that moment Mr Singh would have to resign.

Mr Rajiv Gandhi, the former prime minister, believes that the BJP will withdraw support in the first week of November, and that the government will fall. He has been holding rallies in the north to test the ground for an election he believes could come in February.

Ticking away like a potential time-bomb beneath these social and political upheavals lies the worsening economy. Apart from inflation climbing into double digits, the current account deficit is likely to exceed $10bn this financial year, making it almost inevitable that the government will have to borrow from the IMF's structural adjustment facility.

The conditions attached to this include measures such as pegging domestic oil prices to international levels, cuts in public spending and subsidies, tighter monetary policy and a greater opening of the economy to foreign investment and competition, both of which the government has been resisting.

Since the full impact of the Gulf crisis on the economy became apparent, the government's approach has been to carry through some of these measures in a limited and piecemeal fashion to avoid what it considers the political humiliation of IMF conditionality. But with time running out all fronts, Mr Singh could find that all his political and economic woes could come to a head at the same time.

# Ex-British Sugar chief in debt suit

AN Israeli court has temporarily barred Mr Ephraim Zalman Margulies, the former chairman of British Sugar, from leaving Israel, where he is on holiday, pending a claim that he is indirectly liable for unpaid debts incurred by a company involved in developing a Jewish settlement in the occupied West Bank, Hugh Carnegy reports from Jerusalem.

The claim, which will be heard in court tomorrow, is being made by Matatyahu Lifshitz, a construction company, which says it is owed Shk 9.5m (£2.4m) by the Star of Samaria company, founded to build the West Bank settlement of Emmanuel, but in receivership for several years.

Although Mr Margulies is not a director of the company, Matatyahu Lifshitz alleges that he instructed his son Joseph, who is a director but is not in Israel, on how to conduct its affairs.

# Kuwaiti government concession to MPs

By Victor Mallet in Jeddah

THE Kuwaiti government in exile has agreed to give former members of parliament a role in policy-making while efforts are made to drive Iraqi forces out of Kuwait.

Delegates to a Kuwaiti "popular congress" in Jeddah said yesterday that Sheikh Saad al-Sabah, the crown prince and prime minister, had accepted the need for one or more committees to advise the ruling family and the cabinet.

The decision was seen as a victory for the Kuwaiti pro-democracy movement, because the committees will include opposition MPs from the national assembly dissolved by the ruling family in 1986.

Kuwait's government in exile, based in the hill town of Taif near Jeddah, promised this week's conference that democracy in Kuwait would be strengthened once the country is liberated.

"The government has accepted that there should be ad hoc committees for political, social and financial matters," said Mr Ahmed Saadoun, a pro-democracy activist and speaker of the dissolved parliament. "They may also have executive powers."

Mr Saadoum said that in a future free Kuwait he would press for women to be allowed to vote and for the voting age to be reduced to 18 from 21.

Earlier Mr Rashid al-Ameeri, the oil minister, said oil production in Kuwait had fallen to 90,000 barrels a day from 1.5m b/d before the invasion on August 2. The 90,000 b/d was enough for local fuel consumption and the continued operations of power stations and water desalination plants.

Mr al-Ameeri said Iraqi forces had mined oil installations and refineries and stolen all sorts of equipment.

Kuwait was prepared to discuss any dispute with Iraq but only after the Iraqis had withdrawn from all the territory occupied in the invasion.

# US ready to stay in Gulf 'for years'

By Robert Mauthner and David White

THE US is prepared to keep its troops in Saudi Arabia for as many years as necessary, Mr Richard Cheney, US defence secretary, said in London yesterday.

Anxious to counter reports that it would be unfeasible for domestic political reasons for the US to maintain a prolonged military presence in the Gulf, Mr Cheney said Washington was committed to staying as long as – but no longer than – necessary.

"We're prepared for the long haul if that's what it takes to get the job done," he said after talks with Mrs Margaret Thatcher, the British prime minister, and Mr Tom King,


British defence secretary.

Sanctions against Iraq were beginning to have an impact, affecting President Saddam Hussein's ability to maintain his military machine, he said. He was "quite confident" Congress and public opinion would maintain support. Earlier, he said: "No one should underestimate our staying power."

Mr Cheney was in London on the first leg of a 10-day visit to Europe, which will take him to Moscow and then Paris.

Although he set no deadline for a decision on whether sanctions were working, the US is believed to share the view expressed by Mr Douglas Hurd, the British foreign secretary, that a sanctions stock-taking exercise will have to take place in the next few weeks.

Mr Cheney did not, however, rule out the military option.

He expected further military deployments to Saudi Arabia, including forces that had been pledged by the US and its allies but had not yet arrived.

Mr King said the UK was prepared to consider sending more troops, in addition to the 15,000 army, navy and air force personnel already committed to the Gulf, if it were "helpful".

The British government disclosed yesterday that its Gulf effort had so far cost £300m. Mr Archie Hamilton, armed forces minister, said the cost was expected to rise to more than £600m by the end of the financial year, assuming troop levels remained constant and there were no hostilities.

## NEWS IN BRIEF

### Prospects good for IMF loan to Egypt

EGYPT has made a "big leap forward" in proposals for economic reform presented to the International Monetary Fund and prospects are good for a new standby agreement by early next year, according to a fund official in Cairo, Tony Walker reports.

An IMF team, led by Mr Paul Chabrier, deputy director of the fund's Middle East department, is due in Cairo today for further discussions on a new package that would include substantial reforms of Egypt's constipated exchange and interest rate systems.

The IMF has been pressing Egypt to introduce a more competitive interest rate structure.

### US prepares more sanctions

The US administration is drawing up further sanctions against Iraq, Lionel Barber reports from Washington. One option is to bring war crimes against President Saddam Hussein and his regime for the way they have plundered Kuwait since the August 2 invasion.

Thesecharges could be brought to the United Nations or another international body. Though some time in preparation, the latest moves suggest the administration is anxious to recapture the high moral ground after the damaging publicity surrounding Israel's shooting of 21 Palestinians in Jerusalem.

### Turks arrest 'Iraqi spy'

Turkish security police have arrested a man for selling military secrets to the Iraqi embassy in Ankara, state-run television said yesterday, Reuter reports from Ankara.

It said the man, a Turkish national, had been arrested at the beginning of October. He "sold in return for material benefit various information about military squads, their weaponry, airports in the southeast and the commanders of military squads," prosecutor Mr Nusret Demiral said.

# Mitterrand defends French Lebanon policy

By Ian Davidson in Paris

PRESIDENT François Mitterrand yesterday vigorously defended the consistency of French policy towards Lebanon, in the face of fierce attacks by leading right-wing French politicians, and claimed that the surrender of General Michel Aoun had removed any excuse for the presence of foreign troops in Lebanon.

Some politicians have accused the French government of weakness in its policy in Lebanon, implying that it has submitted to the forces of Syria, and abandoned a natural Christian ally, Gen Aoun.

Mr François Léotard, Republican party leader, has denounced Lebanese President Elias Hrawi as "the little Laval of a puppet government manipulated by a neighbouring dictator".

Mr Mitterrand replied that France recognised the legitimate government of Lebanon, and that the Christian president of Lebanon had been properly and legally elected. He said the French government had called on Gen Aoun to submit to the common law to end what was in effect a civil war between Christians.

France would continue to give asylum to Gen Aoun, but ruled out recognising him as a government in exile.

Lara Marlowe adds from Beirut: Gen Aoun is still in the French ambassador's residence in Mar Takla. A chartered jet was reported to be waiting in Cyprus to take him to France, but President Hrawi's government – particularly those who are Maronite Christians, like Gen Aoun, but strongly opposed to him – continued to insist that he stand trial in Lebanon for mutiny and theft of government funds.

Although the "Aoun problem" is settled in all but its final chapter, Lebanon's old quarrels are again resurfacing.

"We will have two or three months of peace now, before it starts to fall apart," an Arab ambassador in Beirut predicted. Mr Samir Geagea, the Phalangist commander, and Mr Walid Jumblatt, the Druze leader, who are now both nominal allies of the Hrawi government, insulted each other.

● Mr Mitterrand announced a slight strengthening of France's military forces in the Gulf, mainly with extra artillery pieces, and repeated that France would be entirely independent if any decision were taken to fight.

ENVIRONMENT POLICY DOCUMENT

# Labour Party pledges to phase out nuclear power

By John Hunt and Ivo Dawnay

*NO MORE* nuclear power stations would be built in Britain and the existing ones would be gradually phased out under the terms of the opposition Labour Party's new environmental policy document published yesterday.

It says that the vast expansion of nuclear power needed to reduce carbon dioxide emissions and reduce global warming would be technically impossible and generate vast quantities of waste.

Electricity privatisation had exploded the myth of cheap nuclear power, the report says.

After much internal argument, the party has dropped its original proposal for a carbon tax on coal and oil which would reduce emissions of carbon dioxide and slow global warming.

"We have carefully studied this idea but remain unconvinced that on its own it can achieve the cuts in emission required," says the document, which is entitled "An Earthly Chance".

But Mr Chris Patten, the environment secretary, speaking yesterday to a conference organised by *Business Magazine*, said that the price of fuel and energy will have to rise in the long term to reduce risk of global warming.

He indicated he will continue to press for a carbon tax or something similar even though opposition from his

Chris Patten: warning

Cabinet colleagues prevented it being introduced in the recent environmental white paper. "For the longer term this cannot be off our agenda," he said.

Mr Patten signalled that industry will eventually have to pay more for the cost of pollution control: "The Government will not allow costs to industry to dissuade us from decisions that affect the environment."

The Labour document would introduce tough new pollution controls and create a new "watchdog" Environmental Protection Executive which would be independent and enforce tougher standards of pollution control.

The proposals were commended by Mr Neil Kinnock, the Labour leader, as "specific, practical and affordable."

Labour would freeze carbon dioxide emissions, which cause global warming, by the year 2000 compared with Mrs Thatcher's promise to stabilise them by 2,005.

Mr Patten described the Labour target as "cynical beyond belief" particularly as Labour intended to scrap nuclear power which does not emit carbon dioxide.

Labour has modified its ideas about scrapping the government's £12bn programme for new roads. It merely says it will review the programme.

It will allow road pricing pilot schemes, tax large cars more heavily, invest in rail and boost public transport generally. Tax breaks for company cars would be phased out.

The 37-page document emphasises the need for clean-burn coal fired power stations as opposed to gas powered plants. It envisages compulsory environmental audits of companies – a move likely to be opposed by some businesses who would be fearful of the cost.

The policy advocates tough new pollution controls and higher standards for food water and air.

Mr Simon Hughes, Liberal Democrat environment spokesman said the document was "an unconvincing uncosted cop-out".

# Kinnock says commercial trade in toxic waste will be halted

By Ivo Dawnay, Political Correspondent

Mr Neil Kinnock, leader of the opposition Labour Party, yesterday reacted to criticisms of his party's new policy document by promising Labour would halt the commercial trade in toxic waste.

Greenpeace, the environmental pressure group, claimed Labour had failed to promise to halt the completion of the Thermal Oxide Reprocessing Plant at Sellafield and the Sizewell-B power station, both under construction.

The pressure group, which is campaigning against the use of nuclear power, said it was firmly opposed to the construction of any new nuclear power stations.

Mr Kinnock, however, said he was unable to take a position on existing programmes without knowing the full financial implications.

He claimed the party's new proposals would cut inefficiencies in the present and costs in the future.

As expected, the paper endorses the EC target to stabilise the carbon dioxide emissions at current levels by the year 2000.

But the Labour policy document rejects outright proposals for a so-called carbon tax on energy users claiming it would reduce the UK's competitiveness and fall heavily on the poor.

# Highland Distilleries profits rise 26.6% to £24.7m

By Philip Rawstorne

HIGHLAND Distilleries, maker of The Famous Grouse, the UK's second best-selling Scotch whisky, yesterday reported full year pre-tax profits up from £19.5m to £24.7m, an increase of 26.6 per cent.

Mr John Goodwin, chairman, said total UK whisky sales volumes were now running 8 per cent lower than a year ago, and he attacked the government's "discriminatory and punitive tax increase in the last Budget".

Industry export volumes were 3 per cent down though sales of "bottled in Scotland" brands were 1 per cent higher in volume and 15 per cent greater in value, he reported.

Against this background, *Highland Distilleries* exceeded market expectations by increasing its turnover for the year ended August 31 by 19.4 per cent, net of duty, from £130.6m to £147.9m. The group improved its earnings per share from 10.3p to 13.2p, an advance of 28 per cent. Operating profits rose from £15m to £19m.

The Famous Grouse consolidated its position in the UK with a 6 per cent increase in volume sales, and it lifted Highland's exports by 22 per cent to £15.6m.

Reaction, Page 30

# ITN owners agree £5m cash injection

By Raymond Snoddy

THE financial crisis that threatened to take Independent Television News, Britain's commercial television news organisation, off the air receded last night.

Representatives of the company's owners, the 15 regional commercial television companies, agreed at an ITN board meeting yesterday to put up more than £5m to cover an urgent cash shortfall. Without the cash injection ITN was just a few weeks away from a serious financial crisis.

The ITN board said last night it had "agreed the steps to assure continuation of the company's new services with no diminution of their high quality".

ITN was threatened by a triple squeeze on its costs: from the advertising recession in the UK; from a sharp fall in the property market which prevented it renting spare offices in its new headquarters; and because of the high cost of covering the Gulf crisis.

The problems were aggravated by uncertainty over the government's new Broadcasting Bill now going through Parliament. Under the bill commercial broadcasters will be able to retain only 49 per cent of their national news service. The bill also provides, in theory, for the appointment of a different news service or even two competing news companies.

This uncertainty lead one bank to question whether it could lend the £17m needed to complete the move to new London headquarters because it was not clear whether ITN would have a long term business or not.

Mr George Russell, chairman of the Independent Broadcasting Authority has already made it clear that ITN will be chosen as the national commercial news organisation and will be free from challenge at least until the end of 1994.

Talks are now continuing with banks to make sure the £17m in loans can be raised.

Last night Mr Richard Dunn, deputy chairman of ITN and chairman of the ITV Association said: "There is no question whatsoever of the ITV companies letting ITN go to the wall or not funding their news services properly".

# British Rail offers staff 25% pay rise

By John Gapper, Labour Editor

BRITISH RAIL, the state-owned transport group, has offered its 7,500 signals technicians and engineers a 25 per cent rise in basic pay as part of a broad package of new working practices intended to improve safety in the wake of the rail crash at Clapham, south-west London, in 1988.

Although the overtime payments which currently double the earnings of some technicians would be reduced, BR managers believe the offer would add between 15 and 20 per cent to the wage bill of its signals and telecommunications division.

The offer is the first in a series of pay restructuring exercises planned over the next two years, which BR hopes will reduce dependence on overtime working among its 80,000 employees in return for higher basic pay.

Basic annual pay for signals technicians, engineers and supervisors, currently ranges between £6,474 and £11,988. Under the new grading structure, basic salaries would be between £7,800 and £21,000 a year.

BR is suffering from severe shortages of technicians, with vacancy rates of up to 50 per cent in some areas. It hopes to use the pay package to recruit a further 700 staff next year, as well as to improve quality standards.

It wants to reduce the number of pay grades from 33 to six, bring blue and white-collar employees within one structure, roster working hours over 13 week-periods, and cut the premium for Sunday working from 1.75 to 1.1 times the basic rate.

The Clapham train crash of December 1988, in which 35 people died, was caused by faulty wiring carried out by a technician who had been working 12-hour days for some months. He had wanted to raise his earnings to pay his house mortgage.

Mr Nick Mitchell, BR's signals and telecommunications division personnel manager, said the offer was intended to improve the quality of technical work. It would also enable BR to retain signals staff who cost £30,000 each to train.

The proposals have been put to the RMT and TSSA transport unions. Mr Andy Dodds, RMT assistant general secretary, said the union had doubts about aspects of the proposals and was likely to reject them in the current form.

The union is unhappy about plans to link part of the pay of technicians and engineers to performance. BR wants to introduce an individual performance review in the pay structure within two years.

The BR board has set a target of reducing the average weekly hours worked by staff to a maximum of 50 by next year. Staff in the signals division currently work an average of 55 hours a week, with some working up to 80 hours.

# Rapid development needed to meet consumer demand

By John Authers

FT CONFERENCE

PRODUCT DESIGN STRATEGIES

THE TIME taken to develop products must be cut by integrating designers more closely with other company departments, the Financial Times conference on Product Strategies for the 1990s was told yesterday.

Mr Earl Powell, chairman of the conference and director of the Design Management Institute, hailed integrated design processes as the "design revolution of the 90s".

He was backed by Professor Takahiro Fujimoto, assistant professor of economics at the University of Tokyo told delegates that the time taken to develop products must be reduced and this was best done with a "heavyweight product manager" who took responsibility for integrating different aspects of product development.

Dr Thomas Thomsen, of Braun, the German consumer electronics group, meanwhile, advocated a product manager and business director to act as key players co-ordinating technical operations, programme management and design.

"Everyone is allowed to talk to everyone else throughout the project," he said.

Mr Victor Bellemare, senior product manager at Digital Equipment Corporation, the US computer manufacturers, gave examples of such an approach at work in developing the VT320 computer terminal.

He said the project, which took only 12 months to complete, was successful because of team work, clear goals and objects, and firm product requirements which did not change.

At Sony, Mr Aki Amanuma, a general manager of the Japanese electronics company, said flexible operation was a key factor important where designers tried to do marketing jobs or create advertising strategies.

"Marketing people cannot be designers but a designer can be a marketer," he said.

Mr Sigvard Höggren, vice-president of Volvo, the Swedish car manufacturer, added that the green consumer "is the strongest influencing force on product design, production and development".

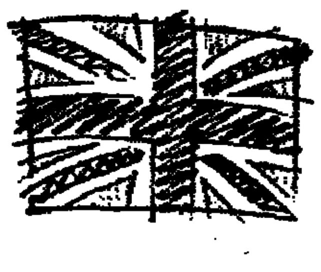
"Green consumerism has a very definite impact on product design. Companies which failed to appreciate that consumers have a preference for environmentally friendly products run the risk of losing out completely in the long term."

Dr Robert Blaich, managing director at Philips, the Dutch electronics group, attacked the idea that a homogenised global product could be rammed down the throats of helpless consumers.

He said if companies identified segments of the global market and searched for diverse designing talent it could satisfy the need for global and national products.

# UK NEWS

## BRITAIN IN BRIEF



## MP calls for inquiry over ERM move

An inquiry into the possible leaking of the decision to enter the ERM before the chancellor of the exchequer's formal announcement has been *demanded by Labour MP Mr* Dale Campbell-Savours. He told Parliament that the rise in the FTSE index shortly before Mr Major's statement indicated a possible leaking of the decisions to join the ERM and cut interest rates.

He singled out Barclays de Zoete Wedd, the investment banking arm of Barclays Bank and Salomon brothers, the Wall Street investment house as having been "active in the market" in the hours before the formal announcement.

## Poisoned water probe reopened

The government inquiry into the water poisoning incident in north Cornwall over two years ago is to be reconstituted to take account of continuing local anxieties.

In the north Cornwall incident in July, 1988, water supplies to about 20,000 people in the Camelford area were contaminated when 20 tons of aluminium sulphate was poured into South West Water's Lowermore treatment works accidentally by a supplier's driver.

## Retail sales increase slightly

A small increase in retail sales in September has added to evidence about the weak state of the UK economy and may bolster government hopes that it can regain control of inflation.

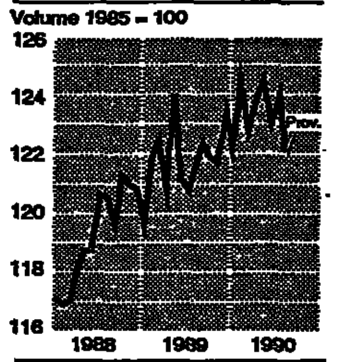
According to provisional figures from the Central Statistical Office, the volume of retail sales last month increased by 0.5 per cent on a seasonally adjusted basis compared with August.

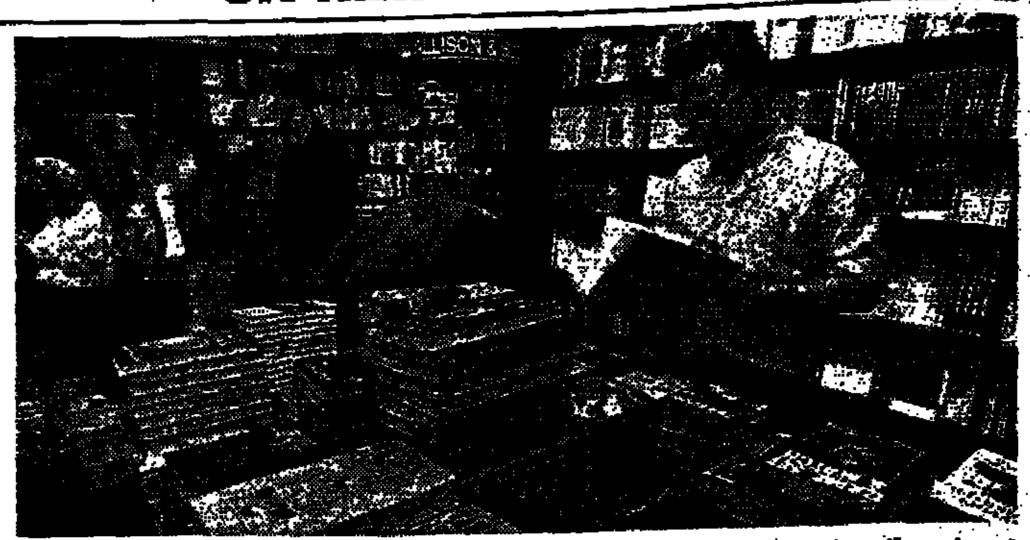
The number was in line with City of London analysts' expectations.

After taking into account retail-price inflation last month of 0.9 per cent, the figures mean that the real level of sales declined slightly between August and September.

**UK retail sales**

Volume 1985 = 100



Lawyers are be considering a challenge to the agreement which guarantees the price of most of Britain's books. Book sellers Pentos, which is trying to breach the Net Book Agreement, is deciding whether to challenge the interim injunction preventing it discounting the sale price of the books shortlisted from Britain's most prestigious literary award, the Booker Prize. Last week, Pentos, which includes prominent modern bookshops such as Dillons, Hatchards and Athena, quietly amassed around 20,000 copies of the six Booker novels and on Friday and Saturday offered them for sale at discounts of between 25 and 27 per cent of the price set under the Net Book Agreement.

## No end seen to business gloom

Britain's entry into the European exchange rate mechanism and the associated 1 per cent cut in interest rates have done nothing to lift the gloom among businessmen, according to a survey conducted by business information company Dun & Bradstreet.

It was a follow-up to its recent quarterly survey of confidence which showed directors at their most pessimistic since the study was started more than three years ago.

Chancellor John Major's ERM and interest rate announcements on October 5 have not changed opinions. The near-unanimous result is "no change" from the previous survey.

## Opren drug test case starts

A test case in which 17 alleged victims of the now-banned arthritis drug Opren are seeking the right to bring a damages action against American pharmaceuticals giant Eli Lilly began in the High Court in London.

The hearing, which focuses on the preliminary issue of "limitation" – the statutory rule which limits the time within which civil actions can be launched – is expected to last between three and six weeks.

## Building society reforms call

The Building Societies Association has added its voice to calls for reform of legislation covering the building societies to enable them to compete on equal terms with banks.

Mr Mark Boleat, the director-general, said that the 1986 Building Societies Act would probably have to be amended in the next two or three years to give societies more leeway in what they could do.

## Road-building plans attacked

The government's major road-building programme threatens more than 800 sites of archaeological interest including ancient burial grounds near Stonehenge, the government-funded English Heritage group has said.

The cost of recording all the data from these sites before they are destroyed would be more than £73m, it claimed.

Mr Cecil Parkinson, the transport secretary, immediately attacked the report saying it was "nothing but guesswork".

## Docklands chief executive quits

The recent exodus of senior management from the London Docklands Development Corporation has been brought to a head by the resignation of Mr Michael Honey, chief executive.

The corporation is already under strain from the rising costs of improved transport links and falling income from land sales due to reduced demand.

# Corton Beach plc

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***

**Freezrite Frozen Food Limited.** (In Receivership)

The business and assets of Freezrite, retailers of frozen, chilled and dry food products are for sale as a going concern.

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**Tranfoods Limited.** (In Receivership)

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KPMG Peat Marwick Corporate Recovery
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For further information please contact Richard A. Smart or Kevin Singerton at Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ. Telephone (0222) 238823. Fax (0222) 237720.

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Cork Gully

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## UK NEWS

# Toray to invest Y15bn in expanding textile interests

**By Alice Rawsthorn**

TORAY, the Japanese textile group, is to invest Y15bn (£59m) in modernising and expanding its manufacturing interests in the UK.

The bulk of the investment, around £50m, will be spent on the construction of a new greenfields plant in the UK to produce lightweight polyester fabric. Toray is still in negotiations over the location of the new plant which will create 400 new jobs.

It also intends to spend £9m on the renovation of its existing UK plants, which manufacture heavyweight and lightweight polyester, at Bulwell, Nottinghamshire and Hyde, Cheshire. Toray acquired these plants last year in a £25m deal with Courtaulds, the UK chemicals company.

The Toray investment programme is one of the largest ever for the UK textile industry. It has come at a time when the industry is in a fragile state after two successive years of intensely competitive trading conditions. The Apparel Knitting and Textiles Alliance recently estimated there have been 20,000 job losses in textiles over the past year.

Toray is the largest textile and fibre group in Japan with additional interests in chemicals and plastics. It made pre-tax profits of Y70bn on turnover of consolidated sales of Y844m in its last financial year to March 31.

In recent years Toray, like other leading Japanese textile groups, has become active in the international market. Traditionally it has restricted its activities outside Asia to exports. Last year it established its first manufacturing base outside Japan by buying the Bulwell and Hyde factories from Courtaulds.

The first phase of the investment will be the renovation of the existing factories, which employ 500 people. This will involve increasing the production of lightweight polyester fabric and introducing new products such as polyester satin and crêpe de chine.

# Textile group unveils the fruit of its looms

**Alice Rawsthorn** finds faster service is the key to the Japanese company's UK plans

LONG AGO in the 1920s Toray, the Japanese textile group, hired a team of engineers away from Courtaulds, the UK chemical company, and took them away to Japan to apply their technical knowledge to its new man-made fibre factory.

Last year Toray bought Samuel Courtauld, which produces heavyweight and lightweight polyester fabrics, for £25m. The business is now called Toray Textiles Europe.

Yesterday Toray unveiled the results of its work. Over the next three years it intends to invest nearly £60m on upgrading the old factories and building a brand new fabric production plant. Toray's investment represents a sorely needed injection of capital for the troubled UK textile industry. It also reflects the trend towards internationalism among the world's textile groups.

At first glance it may seem strange that Toray, which is Japan's biggest single textile group, should be making so sizeable an investment in the UK. Textiles is an international trade and Toray has been exporting consignments of the type of polyester fabrics made at the old Courtauld factories from Asia to Europe for years.

In the past, when textile companies in high cost economies like Japan have manufactured in other countries, they have tended to do so in the lower cost economies of Asia and Africa. Why then should Toray have decided to start manufacturing in the UK?

The answer is that service is becoming an increasingly important factor in determining the competitiveness of textile manufacturers selling value-added products to sophisticated markets such as Europe.

Toray's customers in the clothing industry need a faster, flexible service from their suppliers. They also need to deal with companies capable of responding to sudden changes in fashion. As a result, companies like Toray need to locate their manufacturing reasonably close to their customers.

This pattern has been apparent in the lightweight polyester fabric market for some time. This type of fabric, which is used in blouses and lingerie, was first developed in Japan by companies like Toray. The Japanese have been selling it in Europe since 1960.

The European market for lightweight polyester is now worth around £900m a year. But the Japanese share of the market has fallen to around 25 per cent. Japan has lost share partly to lower cost suppliers in South East Asia, and to local manufacturers in Europe.

Toray decided that in order to remain competitive it had to establish a manufacturing presence in Europe. Since last summer Toray Textiles Europe has been run by Mr Hisayuki Okada and Mr Yoshiro Fujisawa, who were sent over from Japan as chairman and director respectively, together with Mr Geoff Woods, who has stayed on since the sale as managing director.

Courtaulds Textiles has acquired manufacturing bases in the US and on continental Europe. Bidermann, the powerful French textile group, recently made a sizeable acquisition in the US. Kurabo and Toyo Menka Kaisha, two other Japanese companies, are involved in a joint venture with the UK's Tootal in Scotland.

Toray itself is now looking further afield. Having established a manufacturing base in Europe, it is now considering the possibility of making a similar move across the Atlantic in North America.

Geoff Woods at the plant where, as managing-director of Toray Textiles Europe, he aims to boost production

## MANAGEMENT: The Growing Business

The burden of red tape

# How Hydra's heads keep growing

**Charles Batchelor** on the struggle to control excessive regulation

One businessman who recently decided to take on his first employee was sent 30 explanatory documents running to 503 pages by the Inland Revenue and Department of Social Services.

The owner of a small electrical contracting business employing two people who set out to master the government regulations relating to his operations would have to read 26 booklets amounting to 269,200 words, the Forum of Private Business, a lobby group, calculated in 1984.

The cost to business of complying with government regulations – and excluding the direct cost of paying Value Added Tax (VAT) and other taxes – is similar to the defence budgets in the main industrialised countries, says Graham Bannock, a small firms consultant.

Not that regulation is entirely bad news for the smaller company. The need to make regular VAT returns forces many businesspeople to keep a closer eye on their accounts than they might otherwise do. In addition, many companies prefer to see a standard set of rules applied to all businesses in preference to voluntary codes which the unscrupulous can ignore.

Overall, though, bureaucracy represents a heavy burden on small business and for all the efforts that have been made to reduce red tape businesspeople are convinced that it is on the increase.

Small UK businesses employing fewer than 15 people spend the equivalent of 2.5 per cent of their turnover on dealing with the VATman, compared with companies employing up to 500 people which devote just 0.07 per cent, Bannock calculates.

Costs as a proportion of turnover for the smallest firms are 36 times higher than for medium-sized businesses.

"It is not the individual items of legislation which cause concern, it is the overall burden that builds up," comments Tom O'Connor, chairman of the CBI's smaller firms council.

"I'm the only person in the company who can deal with tax matters," says Tony Palin, founder of Kingdom Sports, a Manchester-based clothing manufacturer, which has been involved in a long-running dispute with the VATman. "Every time I come in and see a letter marked OHMS I think 'What's this?' It has really hammered me."

Palin and the VAT inspector have fallen out over deliveries Kingdom made in the UK to Army units going overseas, often at very short notice. Despite letters from commanding officers to confirm that the clothing had been taken out of the country – and was therefore not liable for VAT – Palin does not have the official export documentation needed for some of the shipments and his case goes to a VAT tribunal later this month.

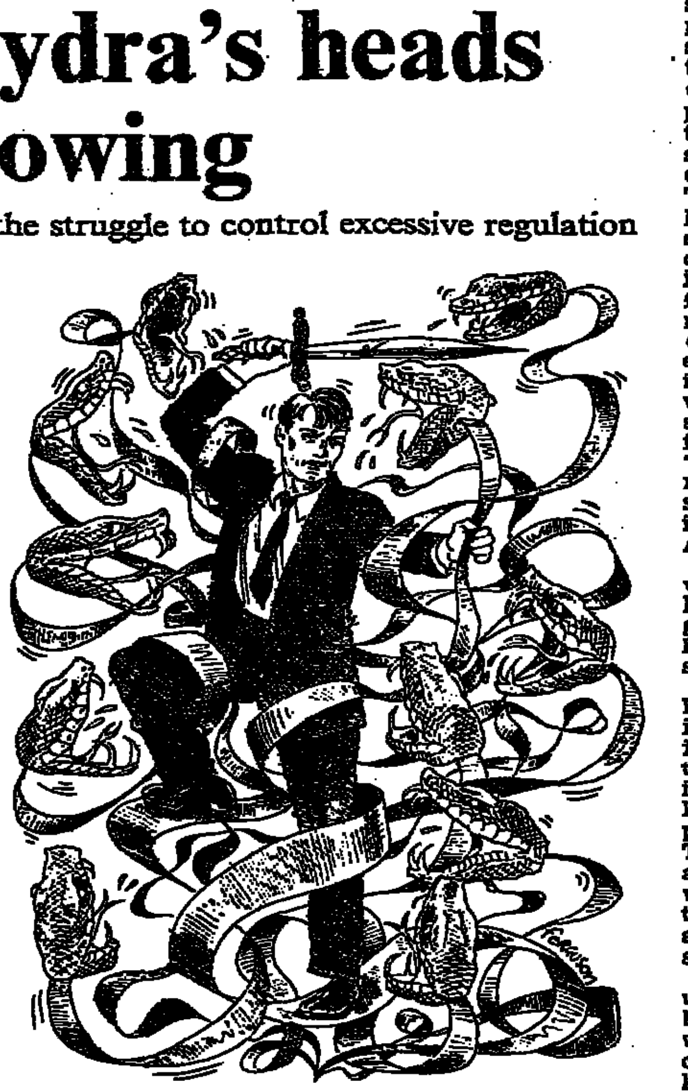
Most administrative time goes into dealing with Customs & Excise, which administers VAT, and with the Inland Revenue, which handles PAYE (income) taxes. But in addition businesses have to deal with employment regulations, health and safety issues and local authority planning decisions.

Businesspeople are not only concerned at the volume of business-related regulation which lands on their desks. Companies may have to collect court-ordered family maintenance payments or recover debts from their staff salaries.

The latest legislation in this field relates to poll tax. Under the legislation introducing the community charge, defaulters can have an attachment made against their earnings by the local authority. Employers not only have to deduct the unpaid poll tax, they also have to calculate the size of deduction, the Forum of Private Business complains.

"It is not easy for public officials to appreciate the weight of the burden their activities place on business because few of these officials have personal experience in business, particularly in small business," says Bannock. "Another difficulty is that officials are fully aware only of those procedures for which they are responsible and not for those of their colleagues. Businesspeople, by contrast, are dealing with all of them."

To reduce the volume of red tape on business the government set up a Deregulation Unit within the Department of Trade and Industry in 1985. This comprises about 20 civil servants charged with assessing the cost of new legislation,



simplifying existing legislation and creating an awareness throughout the civil service of the need to take account of business when drawing up new regulations.

Small business lobby groups remain sceptical of the unit's achievements and claim that it has lost momentum since the departure of Lord Young as Trade Minister. "Customs & Excise and the Inland Revenue are getting more powerful all the time," says Stephen Alambritis, spokesman for the National Federation of Self Employed and Small Businesses. "We are concerned that the deregulation unit is on the wane."

Sir Nigel Mobbs, chairman of the unit's panel of outside advisors (and chairman of Slough Estates, a large property group) acknowledges "a slight set-back" with the change of ministers last year but says that the unit's deregulation programme is "moving forward". Following a recent Cabinet-level review the unit's future was confirmed for a further 18 months.

The deregulation unit is reluctant to point to its successes because these might be seen as victories over departmental interests and provoke resistance to future deregulation, says a senior official.

But among its achievements he lists:

- The creation of deregulation units in most departments of government. These units are small – usually only two people – but they are staffed by senior civil servants involved in policy-making. However, the Ministry of Defence, a major purchaser and a frequent source of small business complaints about bureaucracy and slow payments, is not part of this framework.
- Reviews of the cost of complying with most new legislation are carried out although some laws are introduced too quickly to allow for review. The recent Restrictive Trade Practices White Paper, for example, noted that the direct costs of compliance could increase from £1m to £1.5m or £2m a year as a result of the new legislation.
- The unit is currently engaged in the third phase of its deregulation programme which includes attempts to streamline the VAT paperwork for retailers; to simplify the "change of use" rules in planning legislation and to remove some of the bureaucracy involved in the Data Protection Act.

In addition to their battle with civil servants in Whitehall, the small business lobby groups increasingly see the European Commission as a source of red tape.*

Noel Howell, founder of Daisyfresh Foods, a bacon importer and processor based in Wellingborough, Northamptonshire, calculates that meeting proposed new European legislation for meat-processing plants would cost him £250,000. This is more than Daisyfresh's accumulated profits since it was set up nine years ago and too much for a company with annual sales of £1m and just six employees.

Daisyfresh at present unloads the packed unsliced bacon in its forecourt but would be required to build a canopy out to the roadway to keep the packages dry. It would also be required to install a shower for its employees and either build or contract with a local vehicle washing plant to wash its vehicles. For a company with one 35 cwt van this is excessive, says Howell.

"Small reductions in red tape are made but they are outweighed by a continual accretion of new legislation," says Graham Bannock. However, some progress appears to have been made, according to the National Westminster Bank quarterly survey of small firms. Red tape was the third most important issue worrying small business owners in the mid-1980s but by this year it had fallen to seventh position. In spite of this improvement, small businesses believe there is still a long way to go.

*See also this page September 18 1990.

# A safe way to health

**Charles Batchelor** on wider implications of the legislation

Preventing an employee from being maimed or killed is not just a legal and moral duty but can also make sound business sense. The consequences of a serious accident in a small firm could well lead to the company itself failing, the Health & Safety Executive (HSE) warns in a newly-published report, Safety Pays*.

In one example cited by the report a garage owner's business failed after he sprayed a vehicle with toxic paint without adequate ventilation or breathing apparatus. His health was so badly affected he had to give up the business and make his four staff redundant.

In another, a saw-mill was shut down after failing to comply with three improvement notices which called for better guarding of machinery. Over a three-month period a 19-year old worker had needed 22 stitches in his arm and in two incidents involving a pneumatic nailing gun a 17-year old lost the sight of an eye and a 21-year old shot a three-inch nail into his hip.

Paying proper attention to health and safety issues can also save money, the HSE noted. A manufacturer of paints fitted out a new factory with second-hand electrical equipment which was unsuitable for use in a flammable atmosphere. The equipment had to be scrapped and replaced with new machinery.

It is particularly important for small companies to heed health and safety advice because a study by the HSE showed that employees in small manufacturing companies with fewer than 50 people were 20 per cent more at risk than those working in companies employing 100-1,000 people and 40 per cent more at risk than those employing more than 1,000 people.

Even these figures may understate the relative risks because smaller firms are more likely than large to fail to report accidents, the HSE says.

In a campaign between October 1 and 5 in Newcastle, Leeds and Sheffield, HSE inspectors carried out 1,850 visits on small firms. Almost one third of the firms were not registered and inspectors issued 48 prohibition notices and 74 improvement notices.

An explanation of the laws governing health and safety at work and suggestions on how a business can make sure its systems are safe is contained in Essentials of Health and Safety at Work (Revised Edition)†. A businessperson's responsibilities may be greater than he thinks; casual workers, part-timers, customers and contractors are all covered by the legislation, the guide explains.

*Available from HSE, Baynards House, 1 Chepstow Place, Westbourne Grove, London W2 4TF. Tel 071-221 0870. Free. † Available from HMSO and booksellers. £3.50.*

# A large reservoir of innovation

**Charles Batchelor** on the potential of small companies

Large companies in Britain are reluctant to take on innovation from external sources and are particularly suspicious of adopting ideas from small businesses, according to a survey by Bain & Company, a management consultancy.

According to one large British company: "Technology in our business today is so sophisticated, it is unrealistic to expect that small companies or individual innovators will have much to offer."

Yet, research in the US shows, small firms – employing fewer than 500 people – are 50 per cent more innovative than large companies.

The report suggests three ways to identify more innovation from small companies:

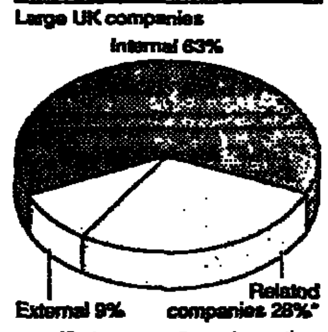
- Improve accessibility. One of the most common complaints made about large companies by innovators is the difficulty of finding the right person to contact. And even in companies with an identifiable contact point there is often a bias against external innovation.

Some companies fear that adopting outside ideas reflects badly on their own R&D department while others believe they will let in an influx of crazy inventors. Ideas will be more readily received if the technology management and not the R&D department is nominated to handle them, the report suggests.

- Systematic screening. Some companies have a dedicated team which screens outside sources such as universities, industry associations and the press for ideas.
- Venture capital. Only 12 per cent of British companies establish regular contacts with venture capital firms to identify interesting companies and emerging technologies.

**Source of innovation**

Large UK companies




*Customers, suppliers and competitors

Source: Bain Survey 1990

Companies should make greater use of venture capitalists or consider establishing their own venture fund, Bain says.

Even when large companies have found a suitable innovation they are often bad at incorporating it. British companies tend to prefer to control innovations by making outright acquisitions but this clashes with the desire of many innovators to retain their independence.

Licencing may be more appropriate where the technology is only a small part of the acquiring company's activities or where the costs of acquisition – including the possible loss of motivation and flexibility in the smaller company – are greater than the benefits, the study suggests.

**Innovation in Britain today. How major companies can help innovation – and themselves. From Bain & Company, 16 Connaught Place, London W2 2ES. Tel 071-723 0208. Free.*

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ARTS

# Jewish experience

## William Packer reviews 'Chagall to Kitaj' at the Barbican Gallery

This is *Israel* season at the Barbican and at its heart lies the exhibition, *Chagall to Kitaj*, that now fills the Barbican Art Gallery (until January 6). The catch-all title sounds straight-forward enough, with its suggestion of simple consideration of artists who just happened to be Jewish. But the gloss given in the sub-title, "Jewish experience in the Art of the 20th century," that takes us immediately into deeper waters.

For what it clearly asks us to consider, is a quality of Jewishness not inherent, instinctive and circumstantial, as it might be in any attempt to determine and distinguish between what might here be English and there French, but one that is worried *over* and worried at, positive, celebratory and self-conscious. The work of Rembrandt, for example, might make the point. Here is one of the greatest and certainly most sympathetic of painters, who took a deep interest in the Jewish community which he knew by long familiarity, and from time to time openly took Jewish images and themes as the material of his work, yet aways he remained the outsider, the gentile, curiously looking in upon something deeply and essentially other.

Whatever the apparent subject or interest might be, even something so indifferent and uninflected as a landscape or still-life, quite what makes the work of Chagall and Bomberg, Epstein and Lipchitz, Rothko and Kitaj instinct with Jewishness, and that of Rembrandt so clearly *not*, would be substance rich enough for any study exhibition. It might even still have supplied this particular exhibition, *au fond*, but for the curatorial decision to add to it the all-too-familiar, dreadful story of the Jewish people in the 20th century. Such more truly is the "Jewish Experience" of this exhibition.

Its selector, Avram Kampf, of the Hebrew University at Jerusalem, says in his introductory and *apologia* to the extremely thorough catalogue: "The work of art does not fit into any of the conceptual categories which the rational mind constructs. It explodes them. It cannot be tamed into a social or personal document without impairing its essential character – integrating impulse, feeling and thought ... On the other hand, the work of art can never be completely grasped without sensing and bringing to consciousness the multitude of personal elements, cultural aspects, and historical relations that it contains ... By disregarding their intricate historical context and seeing only formal qualities we diminish them."

This is all true, and by that last "only" in particular, Professor Kampf would seem to suggest the taking of a balanced view with which I can only heartily agree. But he goes on: "One could claim that whatever filters through a Jewish mind can be termed 'Jewish experience' ... but (*such an approach*) would have been sectarian without interpreting ... the major and unique experiences which have marked the life of Jewish individuals and communities in this century ... This study defines itself by focusing on the Jewish background, concerns or motifs which feed into the creation of works of art ..... and rests squarely on life experiences collectively shared, intensified, interpreted and transformed by the artist. It is not meant to illustrate or document Jewish history."

But the Professor is a shade too cavalier in his disposal of the awkward status and qualities of his material as works of art. For just as with pure and significant form, it can never be the narrative, the content alone that constitutes the work of art, or every crucifixion would be a masterpiece. And with this exercise he would seem to have lost what Harry Carpenter would no doubt call "his sense of spatial awareness," which is that sense of balance which at first we had thought he accepted as essential.

What in fact he gives us is the presentation of works of art as social documentary and exegesis, which is the refuge of the art historian who either does not understand what art is, qua art, or does not like it very much. It is not to deny the interest and importance of the Jewish experience in the 20th century, from the ghetto and the camp to the kibbutz, to say that his account, circumstantial and historical, is *familiar*. And what we get from it, perversely, is the chance to experience any number of remarkable and beautiful works of art, as autonomous works of art. Familiar and unfamiliar alike, from Chagall to Kitaj, they are as fascinating for what they are in the way they are made as for anything in their reference. As such it is an exhibition entirely to be recommended, but as for the "Jewish Experience" which we had looked for earlier, that essential Jewishness that informs them, we are drawn by the question but left little the wiser.

'Self-Portrait at the Easel' by Felix Nussbaum, 1943

OBITUARY

# Leonard Bernstein

The death of Leonard Bernstein at the age of 72 removes from the musical world one of its most vital forces. Composer in both "serious" and "popular" vein, conductor, pianist (jazz and "classical"), writer, lecturer, teacher, television performer, mass communicator and media figure (often, in recent years, as a result of revelations about Bernstein's personal life): he was perhaps the most richly and naturally equipped musician produced in the US this century. Whether or not any of those formidable gifts totally fulfilled their promise is still a subject of discussion and dispute; but what is certain is that Bernstein inspired millions of people with his unbridled love of and passion for music of all kinds.

Bernstein, the son of Russian-Jewish immigrants to America, grew up near Boston. He showed his talent early: at the Curtis Institute, where he studied, his exceptional command as a conductor was already evident, and at the Tanglewood Festival ion the summers of 1941 and 1942 he forged a connection with the conductor Koussevitzky, (whom Bernstein assisted) which was to be of enormous importance to his future. The big break came early and caused a sensation: in 1944 the 24-year-old Bernstein took over a New York Philharmonic concert from an unwell Bruno Walter at short notice.

From there to a career of international eminence was but a short step; Bernstein soon made his first appearance with the Israel Philharmonic, an orchestra which kept his loyalty for the rest of his life, and concerts all over Europe and America followed. In 1957 Bernstein became co-conductor with Dimitri Mitropoulos of the New York Philharmonic, and a year later became its chief conductor, a post he held until 1969 (after which he was made laureate for life).

Other orchestras which Bernstein conducted with especial affection were the Vienna Philharmonic, the London Symphony (which gave London several memorable Bernstein festivals) and the Amsterdam Concertgebouw.

As an opera conductor he performed much more infrequently, but every time – starting with the 1953 La Scala *Medea*, which began a short but splendid collaboration with Maria Callas, and continuing at the Met and Vienna State Opera – he shone an exhilarating new light on the works tackled.

Bernstein's conducting style was often attacked, particularly during his New York residency – the leaps in the air, the extravagant gestures, the sweat and grunts and showbiz paraphernalia, all were easy to parody. But for those able to take in their stride the outer trappings, the vast vistas that Bernstein performances could reveal brought rewards beyond number. He may not have begun the Mahler revival, but he was the conductor who seemed to embody its first wave of discovery; at his best he was a superb exponent of the Romantic symphony (notably Neilsen and Shostakovich), a devotee of French music, and a "partial" but overflowingly generous champion of such fellow Americans as Ives and Copland.

His witty Haydn was a surprise to some, as was the breadth of Bernstein's cultivated and sophisticated mind (literary as well as musical), given his sometimes extravagant public behaviour and statements. He could be a vulgarian, turning, say, Chaikovsky's Pathetic Symphony into an orgy of super-emotional gestures; even then, the very sound of the music possessed a glow that for many tended to mitigate severe criticism.

The conducting career, assiduously documented on records and videos, has won near-universal respect. What still has to be properly rated is the composing career. Bernstein's contribution to the American musical, with *On the Town*, *Wonderful Town* and, most celebrated of all, *West Side Story*, is probably the most significant of our century.

But until recently that achievement has been downgraded in superior musical circles. In the masterly operetta *Candide*, the film score for *On the Waterfront* and the operas *Trouble in Tahiti* and *A Quiet Place* (into which *Trouble* was subsumed), the eclectic blend of sophisticated formal techniques and openly Puccinian melodic devices, with jazz, pop, and Latin elements profusely added, was too often dismissed as opportunistic, rather than (as many now believe it should be) admired for its freshness and dramatic flair.

In the symphonies, the *Mass* and other works of obvious ambition in the direction of world-shaking seriousness, problems arise more over the use of melodramatic gesture than with the musical language itself – indeed, the invention of such a language may eventually come to be seen as Bernstein's most individual achievement. At his simplest, in the unpretentious vein of the recent *Songfest*, *Arias, and Barcarolles*, or *Halil* for flute and orchestra, the directness of musical appeal is irresistible.

**Max Loppert**

# National Orchestra of Canada

**ROYAL FESTIVAL HALL**

In fact there is no such thing, though the South Bank monthly brochure announced them under that description: one supposed it must be a new band. The visitors on Sunday proved to be the orchestra of the National Arts Centre of Canada – quite different, and really a chamber orchestra, and one which has been around since 1969. At the moment they seem to lack a permanent conductor. This time, on the final night of a breathless European tour, they had Pinchas Zukerman as both conductor and solo violinist.

Though they warmed to their task, or got their breath back, in the later half of the programme, they mostly seemed a band of superior efficiency, well-tempered and temperate, with no special corporate character. None, at least, that Zukerman managed to bring out in the first half: perhaps just starting each movement of Prokofiev's "Classical" Symphony off (the Allegro rather tamely, the slow movement rather briskly) and letting it run on wasn't the best tactic. There was no hint of comic lurch in the Gavotte, nor any mischief in the Finale – well though they played it, with unusually firm, neat inner parts.

Zukerman's solo contribution to Mozart's A major violin concerto, K. 219, was all silvery tone and relaxed charm. Very taking; but the orchestral role isn't trivial, and without a conductor's purposeful encouragement the "Turkish" finale was lacklustre, even lame. After the interval, however, we suddenly heard a band who knew what they were doing, in a piece written for them 13 years ago by Jacques Hétu, *Antinomie*, which must have had many outings by now.

Hétu – carefully described in the programme as "one of the leading composers of Québec *and Canada*" (my italics!) – is a serious, economical craftsman in a fairly conservative vein. Dutilleux and Messiaen were among his teachers, and passages in *Antinomie* reminded us that Messiaen himself studied under the composer of *La Péri*. Though the piece takes hardly ten minutes, first a slow, suavely heartfelt construction and then an excited development of the same material, its lucid diction carries a disproportionate expressive weight.

The NACO players gave it the well-focused point we had missed earlier; and they concluded with the big G minor Symphony of Mozart, which they played with plain, energetic musicianship to satisfying effect. And more than that, in a grandly sober Andante: for once their conductor seemed to have a definite, penetrating view of the music to convey.

**David Murray**

# Living Colour/Mano Negra

**TOWN & COUNTRY**

Living Colour are a truly accomplished four-piece, brandishing a style of high-pressure rock that seems to carry on where the guitar-playing likes of Hendrix and Prince left off. They have already managed to combine a huge popular following in the US with convincing critical prestige; to describe their music as black heavy metal might go part of the way to conveying the kind of furious intensity they generate but would diminish them, give no hint of their range or the rich mix of their music.

Friday's outing at the Town & Country showed just what Living Colour can do, even without the VIP guests – Jagger, Little Richard, Queen Latifah – who appear on their albums. Everything takes off from the uncompromising platform laid down by the drummer William Calhoun and bassist Muzz Skillings; over it Vernon Reid's squirming guitar lines (lashings of feedback and wah-wah pedal) seem to dwarf the vocals of Corey Glover, as psychedelic rock meets jazz funk, meets Tamla, meets rap.

There are other bits and pieces too – African styles, the odd excursions into soul territory, a fair helping of eco-politics – but it is all assimilated, never just recycled. At its most characteristic the sound is aggressive and power-steered, with sudden pools of melodic interest in the voice, a harmonic twist to catch out the unwary or most likely one of Reid's arcane excursions. Numbers like the raucous, Public Enemy-like "Elvis is Dead", hurled to the adoring audience like a battle cry, are the exception rather than the rule; shapes are not usually as straightforward as that, messages not so simple.

★

Which is all a long way from the Parisian street music of Mano Negra, part of the new wave of bands that is seemingly pre-destined to shake up all our Anglo-Saxon prejudices about the French and rock and roll. The problem is that Les Negresses Vertes have done that already, with charm, humour and a good deal of musical style, while Mano Negra just doesn't begin to compete on that level. Once the initial charge of punkish energy has worn off, when it doesn't seem enough to bounce around and throw yourself bare-chested into the arms of your undiscriminating fans any more, some kind of positive musical character needs to emerge, not just the impression of a group of lads out for a noisy good time.

**Andrew Clements**

## Peter Pears award

The 1990 BP Peter Pears Award has been won by the English bass-baritone David Mattinson. The other prizes went to the Latvian tenor Ingus Petersons (second), the Welsh soprano Rebecca Evans (third), and English bass Stephen Gadd (fourth). The jury consisted of Sir John Tooley (chairman), Heather Harper, Hans Hotter, Kerstin Meyer, Geoffrey Parsons, and John Steane.

# Budapest Wind Ensemble

**WIGMORE HALL**

A question mark again seems to hang over the funding of the Wigmore Hall. Under the present Arts Council plans the hall is to pass under the control of the Greater London Arts Association, or rather its untried successor, the London Arts Board. Why is it that the Wigmore Hall should face uncertainty when the South Bank concert halls remain assured of continued national funding directly from the Arts Council? Not through any insularity in its outlook, that is clear. This season's programme promises a broad spectrum of events, easily as international as those on the South Bank and no less enterprising in the way they are put together. There are also some classes of music for which the hall is simply the prime venue and on all these counts a visit from the Budapest Wind Ensemble on Friday gave sterling support to the Wigmore's case.

The size of the ensemble (eight players plus double-bass) was ideal; their judgement of the hall's renowned acoustics spot-on. And that despite the fact that the group had been delayed in arrival and could be heard still snatching a last few minutes for rehearsal as the audience gathered outside. If there was any untoward haste in their preparation, it certainly did not show in an evening of lively, sharp, spirited playing.

Most of the repertoire for wind ensemble is fairly light and this was reflected in the Hungarians' programme. Hummel's Partita in E flat opened the concert, with a jaunty first allegro that foreshadows the better-known Dvořák Serenade. Then, the most substantial item, Mozart's E Flat Serenade, K.375, brought some fine ensemble playing, a little heavy-footed in the first minuet, but never wanting colour or sharpness of attack.

The musicians evidently enjoy playing to an audience, in both senses of the expression. Krommer's Op.57 Partita, with its easy jocularity and burbling bassoons, put over a well-defined personality; but it was with the arrangements by Kalman Berkes, first clarinet and artistic director of the group, that the players came fully into their own. Johann Strauss and Scott Joplin work surprisingly well for wind ensemble.

**Richard Fairman**

SALEROOM

# Moses too expensive

Christie's did quite well with its continental ceramics yesterday. The auction totalled £564,729, but with 20 per cent unsold. A large slice of this was accounted for by the failure of the chief lot, a Lyons Istoriato dish painted with Moses receiving the Ten Commandments and made around 1580. It was unsold at £19,000: the vendor wanted at least £30,000.

But a Baltic faience rectangular tray showing ships in a harbour and produced around 1790 made £19,800, against a top estimate of £3,500, while a pair of Siena Campana-shaped ewers, of 1730, 63 cm high, were near the bottom of their forecast at £16,500. German porcelain did well and a pair of Höchst two handled pot-pourri vases of about 1765 in the manner of Andreas Philipp Oettner more than doubled their estimate at £13,750. A Meissen slop-bowl of around 1728 also went far above its £3,500 top estimate: its buyer paid £13,200.

Sotheby's must have been encouraged by the results of its modern print sale in Tokyo yesterday. It was planned in a more optimistic market, with the local Stock Exchange and the yen, going great guns. It took place in a more thoughtful environment yet still was 90 per cent sold for a total of £2.35m.

One of the most sought after prints made the top price, Picasso's "Le Repas Frugal". It went for £218,254 to a local buyer. It has sold for more but the price was still just above forecast. In contrast the next two most expensive items were slightly below expectations. Local hero Foujita's "Les Chats", a collection of ten prints of 1930, realised £170,238, and Chagall, a constant favourite of the Japanese, raised £152,778 for the 38 lithographs in his "Circus" series.

**Antony Thorncroft**

# English Heritage launches 'Buildings at Risk'

In an attempt to halt the decay, which more than the demolition by developers, threatens the nation's stock of historic buildings, English Heritage has launched "Buildings at Risk", a campaign to ensure that important structures do not collapse through neglect.

Listing can protect a building from demolition but not neglect, and in recent years the Victorian mansion of Revesby Abbey; the classical country house of Pell Well Hall in Shropshire; and last month the derelict Victorian terrace houses of Hanover Square in Bradford were only saved from demolition by last minute action by English Heritage, sometimes with the help of the local authority.

Yesterday, at the annual press conference of English Heritage, its chairman, Lord Montagu, was able to announce that one of the oldest tithe barns in the country, Siddington, near Cirencester, has been rescued thanks to £250,000 from the heritage body.

Under "Buildings at Risk" English Heritage is approaching local authorities and offering to pay 70 per cent of the costs if they undertake a survey of buildings in danger in their area. So far 58 authorities have joined in the scheme. A pilot study in Kirklees in West Yorkshire suggested that nearly 5 per cent of listed buildings were at risk through neglect which, if true of the country, means that over 20,000 historic buildings are in danger of disappearing. If the problem sites can be discovered early it will save money in the long run.

**A.T.**

# ARTS GUIDE

October 12-18

OPERA AND BALLET

**London**

**Royal Opera, Covent Garden.** Verdi's *Attila*, one of the most exciting of his early-period operas, receives its first ever production at Covent Garden. Edward Downes conducts, the production is by Elijah Moshinsky, and Ruggero Raimondi, Josephine Barstow, Renato Bruson and Dennis O'Neill take leading roles.

**English National Opera, Coliseum.** More performances of the cogent, boldly Expressionist new production of *Wozzeck*, staged by David Pountney, with Donald Maxwell in the title role; and of *The Magic Flute* in Nicholas Hytner's fresh and uncluttered production.

**Paris**

**Opéra, Palais Garnier.** Soirée Serge Lifar. The first programme of *Suite en blanc*, *Istar* in Leon Bakst costumes, *Variations* and *Mirages* is followed by the second programme of *Suite en blanc*, *Icare*, *Romeo and Juliette* and *Mirages* (47425371).

**Brussels**

**Cirque Royal.** Maurice Béjart and The Ballet Lausanne in *Pyramide*.

**Antwerp**

**Koninklijke Vlaamse Opera.** The Royal Flanders Opera in Richard Strauss's *Elektra*, conducted by Stefan Soltesz, staging by Nuria Espert with Eva Marton/Janet Hardy, Falk Struckmann and Zegar Vandersteene.

**Amsterdam**

**Muziektheater.** The National Ballet with *Under My Feet* (Van Dantzig/Schat), *Pyrrhic Dances II* (Van Schayk) and a new ballet by Jan Linkens. The Netherlands Opera in Mozart's *Entführung aus dem Serail*, directed by Helmut Polixa. Netherlands Chamber Orchestra is conducted by Hartmut Haenchen, with Jurg Low as Selim, Sally Wolf as Constanze and Bruce Ford as Belmonte (255 455).

**The Hague**

**AT&T Danstheater.** Netherlands Dans Theater in *La Cathédrale engloutie* (Kylian/Debussy) and the world premieres of new ballets by Philip Taylor and Jean-Christophe Maillot (360 4930).

**Madrid**

**American Ballet Theatre.** This acclaimed US company, now on a world tour, stops in Spain for this year's Madrid autumn festival, dancing *Giselle* (Wed, Thur). Palacio de los Deportes (401 91 00).

**Berlin**

**Opera.** *Der Barbier von Sevilla* is a well done repertoire performance. The new *Salome* in Peter H. Weigel's production has Catherine Malfitano outstanding in the title role, Horst Heistermann (Herodias) and Simon Estes (Jochanaan). The British choreographer Christopher Bruce makes his debut with two ballets *Swansong/The Dream is Over*, danced to music by John Lennon and Philip Chambon.

**Hamburg**

**Opera.** *Carmen* has a first-rate cast led by Alicia Nafe in the title role, Angela Maria Blasi, Michael Sylvester and Harald Stamm. *Die Zauberflöte* returns with Amanda Halgrimson, Dawn Upshaw, Robert Gambill and Harald Stamm. John Neumeier's ballet, danced to Mahler's music with singers Iris Vermillion and Franz Grundheber.

**Frankfurt**

**Opera.** William Forsythe's ballet *The Vile Parody/In the Middle/New Sleep*, danced to music by Bach was well received when it opened. Kurt Weill's *Aufstieg und Fall der Stadt Mahagonny* will have its premiere this week, produced by Arie Zinger with Glenys Linos, Valentin Jar, Gregory Yurisich, Michal Shamir and William Pell as leads. Guest appearance of the Tokyo Grand Kabuki Theatre with traditional dance and songs.

**Bonn**

**Opera.** The successful Graham Vick *Rigoletto* production has a new cast led by Dano Raffanti, Ingvar Wixell, Mariella Devia, Stephen Dupont. A Gabriela Benackova Lieder recital with song by Caccini, Pergolesi, Schumann, Strauss, Tchaikovsky and Dvorak. *Fausts Verdammung* stars Delores Ziegler, Neil Rosenshein, John Macurdy expertly conducted by Serge Bando. Youri Vamos' ballet *Coppelia* rounds off the week.

**Cologne**

**Opera.** *La Finta Giardinera* brings Hilary Griffiths, Teresa Ringholz, Janice Hall, John la Pierre and Jake Gardner together. *Orfeo ed Euridice* is well sung by Kathleen Kuhlmann and Jund Ae Lee in the title roles.

**New York**

**Metropolitan Opera.** *Boris Godunov*, conducted by Yevgeny Svetlanov, features Stefania Toczyska, Gary Lakes and John Shirley-Quirk in August Everding's production. Franco Zeffirelli's production of *La Bohème* continues along with *Rigoletto* conducted by Guido Ajmone-Marsan with Jerry Hadley in Otto Schenk's production (362 6000). **New York City Opera.** The week features the premiere of John Lehmeyer's production of *Martha*, conducted by Arthur Fagen, with Sheryl Woods as Lady Harriet Durham, Martin Thompson as Lionel and Dean Peterson as Plunkett. New York State Theatre, Lincoln Center (870 5570).

**Chicago**

**Lyric Opera.** Harold Prince's production of *The Girl of the Golden West* premieres, conducted by Bruno Bartoletti, with Marilyn Zchau as Minnie and Placido Domingo as Dick Johnson. Civic Opera House (332 2244).

**Tokyo**

**Moiseyev Ballet.** The famous folk dance company from the Soviet Union. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (587 0571). **Deutsche Staatsoper, Berlin.** *Die Zauberflöte*. Tokyo Bunka Kaikan (235 1661).

FINANCIAL TIMES

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Tuesday October 16 1990

# Malaysia can show the way

THERE is more riding on the outcome of next weekend's general election in Malaysia, *nationally and regionally*, than is at first apparent. At a time when liberal democracies elsewhere have been celebrating the demise of communism there *has been less, not more*, to cheer in south-east Asia.

The inflexible old warriors in Vietnam have set their faces against what they see as the heresies of eastern Europe. In Burma, a no less rigid regime is still refusing to accept the overwhelming desire of the people for a popularly elected government. Even in countries where democratic *institutions* are in place, the quality of political freedoms is increasingly at risk.

The euphoria in 1986 which greeted the demise of President Marcos in the Philippines and his replacement by Mrs Corazon Aquino has long since evaporated. In his waning years, Mr Lee Kuan Yew has *wielded a more authoritarian* stick in Singapore, making it obvious that the role of opposition is not to offer an alternative government. In Thailand, votes are still viewed as tradeable commodities.

In this regional context Malaysia has remained something of an exception. Despite having a potentially more explosive racial mix than any other member of the Association of South East Asian Nations, it has managed its politics and communal relations with skill. *Inevitably there have been* compromises. The most important, reached after the 1969 riots in Kuala Lumpur, was the unwritten acceptance that the Malays, with about 55 per cent of the population, would be the country's dominant political force. The Chinese (about 33 per cent) and the Indians (about 10 per cent) had to accept positive economic discrimination in favour of the relatively backward Malay community.

The assumption of Malay political dominance was based no less fundamentally on the assumption of Malay political *unity*. In this election, for the first time since independence, Malays are pitted against each other. Dr Mahathir Mohamad, prime minister since 1981, is *attempting to beat off the* persistent challenge of Tengku Razaleigh Hamzah, a former member of his cabinet who came within a handful of votes of removing the premier from the leadership of the United Malays National Organisation (Umno) in April 1987.

### Freedom curtailed

The struggle has raged ever since with Malaysia's democratic institutions suffering as an angered Dr Mahathir *sought to shut off the channels* through which his authority could be challenged. Judicial independence, media freedom, parliamentary rights and individual liberties have all been curtailed.

Personalities have played a larger role than policies, the more so since Dr Mahathir largely abandoned his rush to invest state money in heavy industrial projects and instead sought to make Malaysia more attractive to foreign investors. Before the Gulf crisis, the *Malaysian economy had been* expected to grow by 8-9 per cent this year.

With the incumbent deriving a huge advantage from the *machinery of government*, the National Front coalition of parties headed by Dr Mahathir seems certain to form the next government. The opposition coalition would probably be privately satisfied to deny the prime minister the two-thirds majority which has enabled him to amend the constitution at will. Such a result might upset Dr Mahathir, but not the practice of democracy in Malaysia. That, in turn, would be an example of value to all of south-east Asia.

# Choice in education

RADICAL CHANGES in the funding of education are being mooted within the British Conservative party. Mrs Margaret Thatcher has hinted that, rather than financing schools via local authorities, a re-elected Tory government might give parents educational "vouchers" to spend at schools of their choice. The government is already planning to experiment with vouchers for funding post-school training.

In assessing vouchers, it is crucial to distinguish between two very different options: *internal arrangements for* state-funded schools and more ambitious schemes designed to bridge the public/private educational divide. In the first case, parents who opt for state education would receive vouchers encashable at the state schools of their choice; but parents who opt for private schools would get no subsidy. Such a limited scheme would represent only a modest development of present policies. The 1988 reform act introduced open enrolment and financing arrangements which ensure that funds follow pupils. Parents are thus already able to choose between state schools; and the schools which attract the most pupils receive the most resources.

But there are two ways in which even this modest voucher scheme could make a difference. As voucher holders, parents might become both more aware of the cost of education and more conscious of their role as customers. They might demand more of schools than in a system where the flow of funds is less direct. In theory it would also be possible to vary the size of vouchers to give schools an incentive to recruit disadvantaged pupils.

### Radical option

The more radical option would be to redistribute the *state educational budget to all* parents: in other words allow vouchers to be spent in either the state or private sectors. The state/private distinction *would then disappear*: all schools would be private yet, via the vouchers, all would receive a subsidy from the state; all would compete for pupils in a single marketplace.

At first glance this may appear a competitive nirvana. But there are snags. Unless the education budget were significantly raised, the vouchers would not finance the current level of services provided in the state sector. This is because resources would be spread more thinly: parents who currently opt for the independent sector would receive state support for the first time. There is perhaps some justice in this since such parents are usually taxpayers. However, a large transfer of resources from users of state schools to users of independent schools (who are usually on higher incomes) would only exacerbate existing educational inequalities.

The voucher, moreover, would fall far short of the fees charged at the leading independent schools. Parents would thus have to be allowed to "top up" vouchers with their own resources. But this would make the educational market potentially as unequal as that for cars or foreign holidays. The quality of a child's education would be strongly influenced by parents' ability to top up the state voucher.

### Inequality accentuated

There are two possible responses. The first is that the present system is unequal: the middle classes already buy a better education for their children – either by paying private fees or by moving into an expensive residential area served by a good state comprehensive. But vouchers would almost certainly accentuate inequalities. Means-testing, which would involve a big extension of bureaucracy and an erosion of work incentives, would not eliminate this risk.

The second response is that increased inequality would be a price well worth paying because the creation of a single, competitive educational market would provide large benefits for everybody. Topping up would ensure that the educational system as a whole received a larger share of national resources; teachers' pay and morale would rise. Parents as purchasers would insist on higher standards. Children consigned to the worst schools would thus receive a better education than today even if it fell well short *of that enjoyed* by wealthier families.

These are seductive but untested arguments. Many of UK's educational problems *have little to do with lack of* choice, which must often remain strictly limited for geographical reasons. Educational standards are strongly influenced by a *host of factors* including curriculum design, teaching methods, parental experience and financial resources. Internationally, there is little sign of any correlation between degree of reliance on market forces and educational achievement. Vouchers may have a role to play as part of a broader strategy of reform, but nobody should imagine they will provide a painless solution for current educational ills.

## John Plender examines the many factors that have led to corporate Britain's fearsome financial deficit and borrowing requirement

# The 'can-do' tactics come home to roost

The UK corporate sector undeniably faces a liquidity squeeze. How tight a squeeze is a point on which no two City analysts appear to hold the same view. As yet none of the casualties is at all representative of the industrial mainstream. And if there *is* a wider message in the saga of Mr Asil Nadir and Polly Peck International, it has more to do with the woeful state of accounting practice in Britain than the general financial condition of British companies.

As for the statistics, they are downright confusing. But they can very easily be used to support a scare story, as companies confront a very uncertain world in which the Gulf crisis defies conventional forecasting. Witness:

- The financial deficit of industrial and *commercial companies* – crudely, a measure of cash flow that reflects the shortfall between companies' retained profits, on the one hand, and capital investment, stock-*building and stock* appreciation on the other – reached £24bn or 5 per cent of gross domestic product in 1989. Latest figures point to an annualised rate in 1990 of well over £30bn, which defies all past precedent.
- The corporate sector's borrowing requirement, which reflects substantial needs for the financing of domestic acquisitions and long term investments overseas, approached £50bn *last* year.
- Both capital and income gearing (see charts) have rocketed since 1987 to levels not seen in the recessions of the mid-1970s or early 1980s.
- Net liquidity, measured as a proportion of the replacement cost capital base of industrial and commercial companies, last year fell below the previous low point in the squeeze of 1975.
- Over the past two years the financial deficit has been exacerbated by dividend payments running well in excess of corporate incomes. The ratio of dividend payments to post-tax prof*its, according to the Bank of* England's last Quarterly Bulletin, reached 'an almost unprecedented' 62 per cent in the fourth quarter of last year.
- Since Mr Nigel Lawson's reform of corporation tax in 1984 the protection against inflation provided by stock appreciation relief and 100 per cent first-year capital allowances for depreciation has been removed from the system.

In all, a daunting list; but not necessarily *quite what it seems. For a start* – and leaving aside the probability of statistical errors – the deterioration in the historic financial deficit was not precipitated by a decline in profitability, as in 1974 and 1979. It clearly reflected a high degree of confidence on the part of industrialists, who were prepared to finance increases in capital expenditure and dividends with bank borrowings. And the likelihood is that the tolerance of gearing among larger companies has increased as new financial instruments, such as interest rate caps and swaps, have opened up new ways of managing risk.

**The deterioration in the historic financial deficit clearly reflected a high degree of confidence on *the part of industrialists*, who were prepared to finance increases in capital expenditure and dividends with bank borrowings**

Yet that alone scarcely explains the extent of the departure from historic trend – or why the fearsome financial deficit and borrowing require*ment seems* so much at odds with what is to be found in the accounts of leading industrial companies. A further explanation is called for. And it may be that the borrowing figures are particularly misleading because they reflect a development that was absent in the two earlier recessions: the emergence of the UK as a European entrepôt for takeovers and mergers.

In 1989 British companies invested more than £18bn, mainly through bids and deals, in UK company securities. They also invested – notwithstanding Britain's record balance of pay*ments deficit – either directly or* through acquisitions some £17.1bn abroad. And while foreign investment in Britain falls a long way short of Britain's corporate activity overseas, the speed of the recent build-up is striking: the inflow has gone from £1.3bn in 1987 to £8.5bn in 1989. Net acquisitions by companies in the European Community rose by more than three times, overtaking UK companies' acquisitions in the Community. In other words capital flows appear to be dictated as much or more by the openness of asset markets as by the attractiveness of relative returns.

All this corporate re-shuffling has had a disproportionate influence on the statistics. More than 80 per cent of last year's record UK takeover expenditure was for cash, while foreign acquisitions, of necessity, tend to be for cash rather than paper. That implies a huge call on the banking system, which was only partly offset by the capital inflow.

*Coming on top of high levels of* capital spending and dividend payments (which are increasingly seen as a form of insurance against hostile bids) this financing requirement provides as good an explanation as any of why gearing levels look astonishingly high. The takeover boom and the unbundling fad proved to be an inexorable mechanism for substituting debt for equity in company balance sheets. And since the boom left the investment institutions with excess cash at a time when the government was buying back gilts, the diversion of institutional funds into overseas equities probably contributed, at the margin, to the weakness of sterling last year.

When the process goes into reverse, as it has done over the past 12 *months, the impact is equally formi*dable. For while the corporate sector's financial deficit remains high, its borrowing requirement (see chart) has plummeted since the peak in the third quarter of 1989. In effect leverage has been added to the stop-go cycle. As the near-disappearance of large-scale bids has added powerfully to the downward pressure on equity prices, a reduced outflow of institutional funds overseas may well have contributed to sterling's strength earlier this year, thus exacerbating the squeeze.

As far as corporate casualties are concerned this analysis corresponds with what is already apparent in the market place. Mainstream industry is largely untroubled, while the attrition has been heavily concentrated among *the victims of takeover-related finan*cial engineering: Coloroll, British & Commonwealth, Lowndes Queensway, to name but three where gearing levels reached levels that would have seemed striking even in Germany or Japan. The risk inherent in the British takeover spree in North America is not on a comparable scale, in relation to GNP, to the disastrous entrepreneurial exodus from Australia, which has been followed by a string of corporate bankruptcies. But it would be surprising if the odd highly geared British acquisition in the US failed to produce a similar result.

In the meantime Britain's property developers and traders have added a further, characteristic dimension to the borrowing figures. Their notori*ously cheerful tolerance* of high borrowing levels has been increased by the availability in London of US-style limited recourse finance, whereby much of the risk in property development is pushed back onto the lending banks. Eagle Star's recent problems in insuring property development finance also indicate how risk has been laid off in the insurance sector. Yet the residue of unhedged risk has already caused a swathe to be cut through the ranks of the small and medium sized developers and traders.

All this suggests that it does not *make much sense to rely on aggregate* borrowing figures. It ought also to mean that the part of the corporate sector's financial deficit which relates to mainstream industry and commerce should not be unduly difficult to finance. Yet that judgment may now have to be revised in the light of increasing nervousness among bankers and a marked downturn in profitability.

If the companies followed by UBS Phillips & Drew are taken as representative of the corporate sector, overseas profits account for more than 40 per cent of the total. Since the US is a large component of that figure, the weakness of the dollar is causing profits to shrink significantly at a time when the US economy is slowing more than Europe or Japan. Nor is Europe now providing as much leeway to British exporters as it did in the first half of the year. Outside Germany, confidence appears to be on the wane and the motor industry in particular appears to have run out of steam.

Back in the UK companies are having to contend both with higher oil prices and the impact of sterling's strength on their competitiveness. The interim reporting season has confirmed that profits are indeed under pressure in the heartland of British industry. On the assumption that sterling continues to weaken in the final quarter of the year UBS Phillips & Drew are forecasting a 1 per cent fall in total industrial profits this year.

Will the disappearance of inflation proofing from the corporation tax system cause the kind of trouble that prompted panic in the corporate sector in 1974? It seems unlikely. Today there are no price controls and inflation is running at 10.9 per cent, compared with peaks of 27 per cent in the mid-1970s and 21 per cent after the second oil crisis at the end of the 1970s. Stock appreciation, whereby the real cost of replacing inventory rockets ahead of the historic cost figures on which tax accounts are based, is not being boosted by a synchronised boom in commodities as it was in the first half of the 1970s.

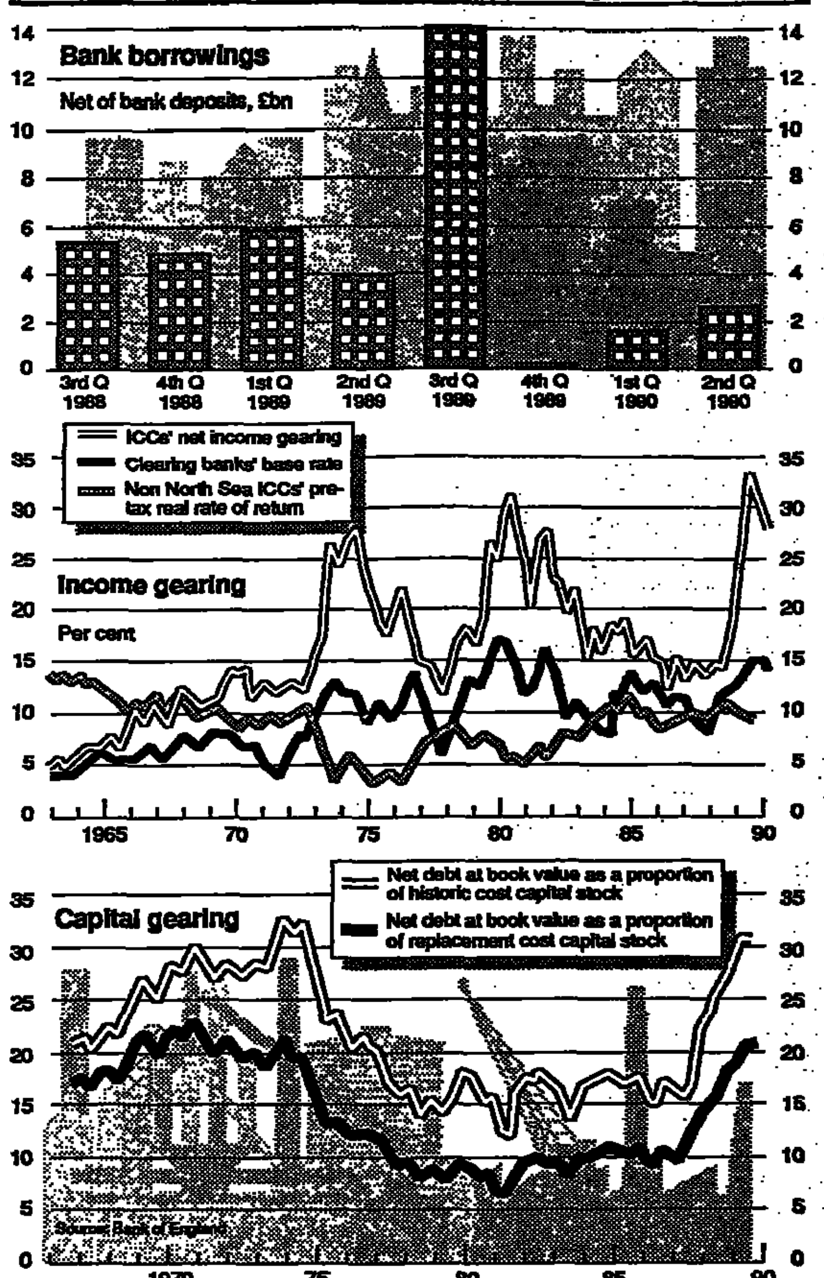
That is not to say that corporation tax will not impose a painful additional levy as tax bills rise in relation to real profitability. As the Institute for Fiscal Studies points out, significant distortions arise at quite low inflation rates. In addition, the effects of stock appreciation and lower depreciation allowances far outweigh the benefit of higher interest rate deductions which compensate lenders for the erosion in the value of their capital.

On the basis of adjusting the historic cost profits of a sample of 750 companies the IFS reckons that corporation tax liabilities would be one third higher, at 10 per cent inflation, than at zero inflation. Even taking the London Business School's forecast of retail price inflation, which allows for a decline from 9 per cent in 1990 to 4.2 per cent in 1993, tax bills would still be around 22.5 per cent higher. Looked at from another perspective, this inflationary distortion ensures that industry's after-tax cost of capital *is significantly higher, thereby acting* as a deterrent to investment.

The economic case for eliminating such distortions is overwhelming; the political one marginal, at best, when an election is looming. On balance, it seems unlikely that a change in the corporation tax system will be a key determinant of the rate at which the corporate sector's financial deficit is whittled down. If the investment intentions surveys are any guide the industrialists already have the job in hand and investment plans are being pared back sharply.

As for dividends, they cannot continue to rise at a rate faster than corporate earnings; yet the investment institutions will be pressing hard for company boards to adopt a very long term view of corporate *prospects. How ironic, if the industri*alists suddenly find themselves putting a case for responsible short-termism.

**UK industrial and commercial companies**




# OBSERVER

## Flutter on the Booker

■ Pleading poverty, English racehorse owners are agitating once more for a larger slice of the bookmakers' profits to be pumped back into racing.

But what about Booker Prize authors? Do they derive any benefit from the sums wagered on their chances of winning Britain's top literary prize? The answer is, of course, that they don't.

Not that these sums are huge. According to the Racing Post this year's Booker – the winner will be announced tonight – is a bit of a bore, and has generated the quietest betting in Booker history.

Says the Post: "The bookies blame an uninspired short-list. All the contenders have been knocking around for years and none is under 50. Also there was a lukewarm response in the quality press when the list was announced."

Between them, the Big Three bookmakers list three different favourites. Coral's favourite is A. S. Byatt's Possession, at 9-4; Hill's plumps for Brian Moore's Lies of Silence, also 9-4; and Ladbroke's hot tip is John McGahern's Amongst Women, at 7-4.

Ron Pollard, of Ladbroke's, has a deft explanation for favouring McGahern. "The book is about love and women," he says. "As three of the five judges are women, then perhaps this more than any other candidate will appeal to the panel."

At Hill's, Graham Sharpe takes a more cerebral tack. "More and more the Booker judges seem to vote for a selection of work rather than just a specific novel when making their choices," he says.

I wouldn't mind a little wager on Lies of Silence, or even on Mordecai Richler's Solomon Gursky Was Here – 7-1 at *Ladbroke's*.

More to the point, this year's Booker authors ought to pop round to the Home Office and demand a cheque each as their share of the Booker betting. That is what racehorse owners do.

## Words fail

■ Sad for us traditionalists to read a list of British words that editor Norman Moss has deleted as "obsolete" from the new edition of the Hutchinson British/American Dictionary ..."Alliance, Liberal Party, SDP, and Fleet Street".

But sadder to read a list of so-called "new" words he feels it right to include. They are almost all vulgarisms linked with sex or crime and are unnecessary to a well-stocked vocabulary.

## Pop diplomacy

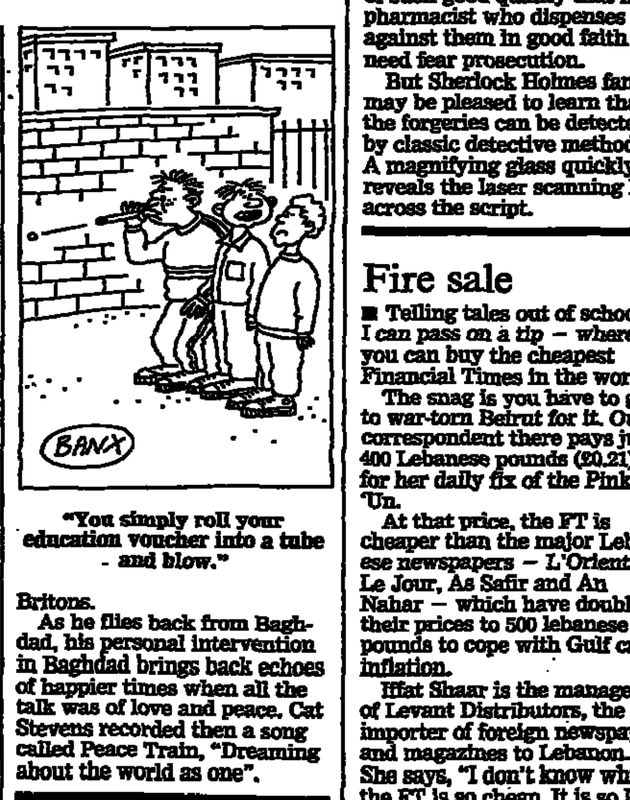
■ The man who brought you such memorable sounds as Mona Bone Jakon, Tea for the Tillerman, and Teaser and the Firecat, appears to have succeeded in the Gulf while that other musician Edward Heath has yet to get his act together.

Yusuf Islam, formerly the pop singer Cat Stevens, was on his way back to London last night after securing the release of four Britons – all Moslems who had been held by the Iraqi authorities.

*Since converting to Islam* in the early 1980's, Yusuf hasn't exactly ingratiated himself to the British authorities. He was vocal in opposition to *Salman Rushdie after the* death threat had been announced against that author. And earlier in the Gulf crisis, he came out on behalf of Brit*ish Moslems to* urge the withdrawal of British troops from the area.

But yesterday the Foreign Office, which is still apparently *trying to make* its mind up about the Heath visit, said it was "glad" that Yusuf had managed to intervene positively on behalf of the four Britons.

As he flies back from Baghdad, his personal intervention in Baghdad brings back echoes of happier times when all the talk was of love and peace. Cat Stevens recorded then a song called Peace Train, "Dreaming about the world as one".




"You simply roll your education voucher into a tube - and blow."

## Laser clue

■ The latest laser copying *technology has fooled* a couple of pharmacists into dispensing drugs against fake prescriptions.

Inspectors from the Royal *Pharmaceutical Society – the* professional body which regulates the activities of your High Street chemist – discovered the forgery.

*Reporting in the current* Pharmaceutical Journal, they say both forgeries found were copies of the same prescription for capsules of a slimming drug. To the naked eye they seem to be handwritten in blue ink on a doctor's headed notepaper printed in black.

Both were copies of a genuine prescription.

According to the Metropolitan Police, the forgeries are *of such good quality that no* pharmacist who dispenses against them in good faith need fear prosecution.

But Sherlock Holmes fans may be pleased to learn that the forgeries can be detected by classic detective methods. A magnifying glass quickly reveals the laser scanning lines across the script.

## Fire sale

■ Telling tales out of school, I *can pass on a tip – where* you can buy the cheapest Financial Times in the world.

The snag is you have to go to war-torn Beirut for it. Our correspondent there pays just 400 Lebanese pounds (£0.21) for her daily fix of the Pink 'Un.

At that price, the FT is cheaper than the major Lebanese newspapers – *L'Orient Le Jour*, As Safir and An Nahar – which have doubled their prices to 500 lebanese pounds to cope with Gulf crisis inflation.

Iffat Shaar is the manager of Levant Distributors, the sole importer of foreign newspapers and magazines to Lebanon. She says, "I don't know why the FT is so cheap. It is so low we don't make a profit".

Carrying on a tradition of the pre-war days when Beirut was the Middle East's banking centre, the FT is still the best-selling British newspaper in Lebanon, she says, with a circulation of 63 copies for each issue – compared with 25 copies for the twice-as-costly Guardian.

## No plenty

■ The award of the Nobel Peace Prize to President Mikhail Gorbachev has enabled the witty foreign ministry spokesman Gennady Gerasimov to sum up Russia today in one quip, "We must remember this certainly was not the Nobel Prize for Economics".

# LETTERS

## Why the ANC opposes the lifting of sanctions

*From Mr Mendi Msimang.*

Sir, Your editorial comment ("Time to end sanctions," October 10) suggesting that there are "compelling reasons to lift the sanctions against South Africa" is based on a serious misreading of the economic and political situation in our country.

What you suggest as the "irreversibility" of the dismantling of apartheid is certain to be disputed by the majority of our people – and not only those living in conditions of abject poverty, in the squatter camps, jobless and without the opportunities of an equal education for their children or the welfare supports otherwise available to the white minority. Given the highly skewed distribution of wealth, income and skills in favour of the white minority, the simple repeal of such apartheid laws as the Group Areas and Land Acts (which you view as particularly significant) will in themselves do little to meet the aspirations of our people for a real movement towards a non-racial democracy and more equal society.

Despite these fundamental difficulties, the African National Congress (ANC) has made far-reaching concessions in its dealings with President de Klerk – all with a view to advancing a peaceful way out of the acute crisis in our country. Well before the South African authorities moved towards meeting the preconditions for the constitutional negotiations the ANC offered to suspend armed actions. Your editorial appears to question the worth of this concession. It cannot be gainsaid that this represents a major expression of the ANC's commitment to the pursuit of a peaceful path towards a united and democratic South Africa.

What we find particularly unacceptable is the dilatory and equivocal responses of the South African authorities to our search for such a way forward. We believe that significant and powerful elements in the South African government have sought to exploit our desire for peace by encouraging disunity, dissension and violence in the black townships and generally among the people, employing the police and armed forces to destroy the popular efforts to restore peace and generally to undermine the influence of the ANC. The so-called Operation Iron Fist has let loose a regime of unbridled intimidation and killing with little or no accountability from the police or the army for their actions.

Despite the understandings reached in a number of meetings between the ANC and the South African government, such key instruments of political repression as the Internal Security Act have not only remained in force but have continued to be employed to detain without trial large numbers of our members and supporters. We believe that some 3,000 detainees are currently held incommunicado, despite a promise by President de Klerk that these draconian laws will be abolished.

The government's promise of a general political amnesty for all our leaders, members and supporters, and for our returning exiles has been gravely weakened by the qualifications and reservations being made by the South African security establishment. A leading member of our leadership, Mac Maharaj, has been assaulted in prison where he remains without trial despite the amnesty. One can only imagine the likely fate of other lesser known opponents of apartheid at the hands of the seemingly autonomous security establishment of President de Klerk's government.

What now gives us the greatest cause for concern is the seeming inability of President de Klerk to press forward with the process of change he promised in his February 2 speech. It remains the ANC's hope that the peace process can still be sustained. However, as for the present, we are yet to be convinced that the process has become "irreversible" as you claim. And that being the case, there continue to exist the most compelling reasons for maintaining the sanctions measures presently in force against South Africa.

There already exists an internationally accepted formula for the dismantling of apartheid and the creation of a united and non-racial democracy. This is supported by appropriate guidelines for negotiations to these ends. I refer to the unanimously endorsed United Nations declaration of December 14, 1989. The fulfilment of the terms of this policy position of the international community must remain the precondition for the lifting of international sanctions against apartheid.

Mendi Msimang,
*chief representative,*
*ANC Mission, UK and Ireland,*
*28 Penton Street, N1*

## A heid full a broken bottles, penny whistles, mince


*From Mr William Low.*

Sir, Christopher Dunkley ("Autumn spectacles," October 10) failed to appreciate the BBC2 programme, Rab C. Nesbitt, because Gregor Fisher plays the title role of a "sottish Scot with an accent so thick as to be wholly impenetrable".

Mr Dunkley now knows how we Scots feel when viewing English programmes in which accents as diverse as Cockney and Liverpudlian are just as impenetrable to our ears. But, unlike Mr Dunkley, we make the effort to understand.

Glaswegian (which is Rab C. Nesbitt's tongue) has been described as a rich, vital and above all valid regional dialect which gives a true reflection of the city and its inhabitants with all their virtues, such as robust and irreverent humour, resilience and abhorrence of pretension.

As Rab C. Nesbitt might well respond to Mr Dunkley: "See you ya nyaff, your heid's full a broken bottles, penny whistles, mince." (Look here my good man, your mind is somewhat confused).

William Low,
*5 Kirklee Terrace,*
*Glasgow*

*From Mr E.G. Watkins.*

Sir, Mr Liam Mulloy (Letters, October 6) is quite correct in his criticism of Mr Kieran Cooke's statement that "the level of language skills (in Ireland) is even more abysmal than in the UK."

To begin with one should not overlook that the language skills of the Welsh are, and historically have been, as outstanding as those of the English have been abysmal, and for similar reasons as those given by Mr Mulloy. The Welsh have historically been largely bilingual in Welsh and English and therefore have learned the grammar of both languages. The English have found it difficult to learn other languages because they do not know the grammar of their own language.

Intensive study of the Dictionary of National Biography will leave one in no doubt of the skills of the Welsh as linguists and especially in scholarship relating to classical languages. Middle English was supplemented by borrowing words from Latin and Greek after the Tudor conquest. It was largely Welsh scholarship that was influential in making the literary language that English is today.

Migrant Welsh families founded great international trading companies like the East India Company. The exploits of the Elizabethan mariner, Richard Adams, who owed his career in Japan largely to his talent for learning the language, are well known from the television series, Shogun.

E.G. Watkins
*23 Church Drive,*
*North Harrow, Middlesex*

## Taiwan's need for healthier relations with Peking

*From Mr Andrew V.R. Smith.*

Sir, In your Taiwan Survey the analysis of the government's foreign policy ("Stalled on sovereignty," October 10) is unjustifiably cynical. In particular Peter Wickenden portrays Taiwan's stance *vis-à-vis* Peking as dogmatic and outdated. This is not a fair reflection of the progress in recent years towards a more realistic, forward-looking policy.

President Lee Teng-hui has steered the Kuomintang government towards a genuinely pragmatic approach, recognising the need for healthier relations with Peking whilst at the same time seeking to protect Taiwan's status as "Free China" – the Chinese island which retains the republican and anti-communist principles of the original republic.

Eventually, unification of Taiwan and mainland China will come, but it is clearly President Lee's intention that the re-establishment of this unified nation state should be on the basis of free enterprise and democratic values, not communism. At present it is Peking which is burying its head in the sand by resisting the tide of democracy. As soon as Deng Xiaoping's heirs follow eastern Europe in modernising and reforming their bureaucratic system, the goal of one China will be within reach.

At present what prevails could be described as "one China, two realities". In time, however, even the authorities on the mainland will recognise that prosperity and stability come only from the free enterprise system. It will be the republican principles of Dr Sun Yat-sen, on which the Republic of China was founded and present-day Taiwan moulded, which become the ideals of the new unified China.

Andrew V.R. Smith,
*62 Marsham Court, SW1*

## Paper recycling and the polluter pays principle

*From Mr P.L. McGuinness and Mr P. Dyer.*

Sir, With reference to your Waste Management Survey and Richard Gourlay's article ("Recycling: UK lags behind its European allies," September 26) the United Kingdom Waste Paper Industry Committee (UKWIC) wishes to state that the fall in the price obtained by collectors of old once-read newspapers and magazines is due to oversupply. There is currently over 2m tonnes of this material in the UK waste stream each year, while the UK capacity to utilise it is limited to 500,000 tonnes.

Material for de-inking and repulping can also be obtained from north American sources at very low prices and, given the fact that recycled newsprint must compete with newsprint made from virgin pulp, it is a matter of commercial judgment which material to use when raw material prices are falling. Disposing of the de-inking process waste is expensive and the rising cost of transport and collection of the raw waste paper must be considered.

These same cost factors must be addressed when considering manufacturing from other bulk grades of waste paper and board such as old cartons and packaging materials where prices are also reducing. A margin, if it exists at all for collectors of waste in these grades, will be very slim.

If reclamation in the UK is to continue to be the "best practicable environmental option" for these bulk grades of waste paper and board then the provisions of Article 15 of European Community Directive 75/442/EEC, as recently amended, must be invoked as soon as possible and applied to all categories of waste.

In accordance with the polluter pays principle, the cost of collection and disposal, even by the reclamation route, should be borne by the creator of the problem.

Up to now, waste paper reclamation companies have paid the creator of the waste to be recycled for the material removed, but shrinking margins now necessitate that charges will have to be made for removal of these bulk materials in most cases.

P.L. McGuinness,
*president,*
*(British Waste Paper Association) UKWIC,*
P. Dyer,
*president,*
*(Independent Waste Paper Processors Association) UKWIC,*
*British Waste Paper Association,*
*Alexander House Business Centre,*
*Station Road,*
*Aldershot, Hampshire*

## Tunnelling calculations

*From Mr Charles Williams.*

Sir, Lex (October 9) was perhaps a little unfair towards Eurotunnel in comparing the projected total return to shareholders of 14 per cent, which the company published in June, with a yield of 11 per cent on undated gilts.

Eurotunnel assumed in its projections that inflation would fall to 5 per cent from 1991. Whilst the Treasury may share this view of the trend in inflation, the gilt market appears to be less sanguine.

Real gross redemption yields of 4 per cent from the index-linked stocks seem to imply an expected long-term inflation rate closer to 7 per cent. If this figure were used, and if the other assumptions are unchanged, the projected return from Eurotunnel would be 2 per cent higher than that in the company's central estimate.

Charles Williams,
*49 Shandon Road, SW4*

## BT and the danger of artificially lowered tariffs

*From Mr Gregory Olinyk.*

Sir, While Oftel's recommendation to permit competition in the resale of international voice and data capacity is a welcome sign of deregulation and free market economics, the second prong of its approach – to cut the price of international phone calls – heads in the opposite (heavily regulated) direction with potentially disastrous consequences.

Forcing BT to cut prices will not foster competition. In fact, it kills competition. Artificially lowered tariffs discourage competitors from entering the marketplace. If Oftel (the Office of Telecommunications) and the Department of Trade and Industry force down, by artificial means, the price charged by the duopoly, there will be no arbitrage, hence no economic incentive for competition to develop.

Price cap regulation is meaningless if BT and Mercury are permitted to engage in predatory pricing. A duopolistic capacity to arbitrarily lower prices in selected telecommunications markets – just long enough to drive out new competition – is as dangerous as raising prices on the same indiscriminate basis.

By freezing out competition which has no better point-of-entry than resale, Oftel hurts the very customers it is charged with protecting.

Let the duopoly charge what it can for its service. Let the market place first become more efficient, and the duopoly will follow. Give the end-users more credit. In a free market, they can be counted upon to make the wisest choice for themselves, not for the duopoly or the resellers.

Gregory Olinyk,
*chairman,*
*SCN (UK),*
*44 Worship Street, EC2*

## Oil price fluctuations and perceptions of the probability of war

*From Mr Andrew Powell.*

Sir, Is the rise in the current oil price really the great mystery that Steven Butler seeks to explain ("The seven pillars etc," October 10). It is well known that the price of any commodity today reflects expectations of future prices.

Imagine a trader purchasing oil today purely for speculative motives and, say, he or she would require an expected rate of return in dollars of 15 per cent in one year to compensate for the risk of such a venture (this to include warehousing costs). Consider two scenarios. If there is a war, let us take the World Bank's estimate of a price of $60 a barrel. If there is no war, let us say the price returns to $14 a barrel. Suppose these prices are those relevant for a one-year investment. As an illustration, say the probability of war is 50 per cent. Then, the expected price is $37 a barrel. To obtain the 15 per cent required expected rate of return, today's price must be $32.2 a barrel.

What happens if the perception of the probability of war changes? The following figures compute today's price conditional on the probability of a war: probability of war 0.0, oil price $12.2 a barrel; 0.2, $20.2; 0.4, $28.2; 0.5, $32.2; 0.6, $36.2; 0.8, $44.2; 1.0, $52.2. The numbers used are only for illustration but the message is clear. There is little mystery, price fluctuations can be explained by the perception of the probability of war changing and an entirely rational market.

But are not western governments being a little hypocritical by complaining about oil price fluctuations? They have not shown great enthusiasm for techniques advanced by developing countries to reduce the problems of volatile prices for important commodity exports such as copper, cocoa, coffee and sugar.

Andrew Powell,
*Department of Economics,*
*Queen Mary and Westfield College,*
*University of London*

# FOREIGN AFFAIRS

# More than one kind of linkage

### Edward Mortimer on some awkward ties between Kuwait and other regional issues

Here are some axioms for those engaged in Middle East diplomacy to ponder: 1) Whoever proclaims that his actions in one context are laying the basis for a new world order must expect that his actions in other contexts will be judged by the same yardstick.

2) Whoever forms an alliance with Arab states must know that the cohesion of that alliance is bound to be affected by his attitude to developments in the Arab-Israel conflict.

3) Whoever says that a resolution of the Arab-Israel problem will be given top priority once Iraq withdraws from Kuwait is not denying "linkage" but confirming it. He is offering Iraq the chance to justify its invasion of Kuwait by claiming that it has forced the world to give higher priority to the Palestine problem, and may also be giving Israel a reason to fear rather than desire a peaceful end to the Gulf crisis.

4) Ergo, if his concern is to hold together an anti-Iraqi alliance with Arab states now, *now is the time for him to* tackle the Arab-Israel problem.

5) The Arab-Israel conflict is not the only one in the region which can be linked to the Gulf crisis, often in awkward ways.

Met any Greek Cypriots lately? They too have pricked up their ears at all this talk about unacceptable *faits accomplis* and the enforcement of Security Council resolutions. Too bad that the occupying power in northern Cyprus is Turkey, a state whose help in enforcing resolutions against Iraq cannot be spared.

Of course Turks, like Israelis, will reply indignantly that the two issues have nothing in common. And it is true that both Turks and Israelis have better arguments, legal and moral, with which to defend their respective occupations than Iraq does. That, however, is not saying much.

Israel occupied the West Bank, Gaza and Golan in a war which can be credibly described as a war of self-defence. The question is whether that occupation can still be justified 23 years later, when all the Arab parties involved have indicated their willingness to make peace, and whether it can be reconciled with various Security Council resolutions, notably Resolution 242. It seems clear that at least Israel's annexation of East Jerusalem and Golan, its refusal to attend an international conference on the issue, and its insistence on dictating the composition of any Arab or Palestinian delegation with which the future of those territories might be negotiated, cannot be so reconciled.

Turkey, for its part, had the right to "take action" in Cyprus under the Treaty of Guarantee, but "with the sole aim of re-establishing the state of affairs created" by that treaty, *i.e. the independence*, territorial integrity and security of the Republic of Cyprus and respect for its 1960 constitution. It did take action, but the effect was certainly not to restore that state of affairs. Several Security Council resolutions calling for the withdrawal of all foreign forces have been ignored, and after 16 years Turkish troops are still there, supporting a "Turkish Republic of Northern Cyprus" which proclaims its complete independence.

And then there are the Kurds. Here the linkage is of a rather different kind. The Kurds of northern Iraq were among Saddam Hussein's principal victims before he invaded Kuwait. They had also been the most troublesome of his internal enemies. One might think, therefore, that they were obvious allies for the UN in its anti-Saddam campaign. But they remain unrecognised by the UN and – though well-received by the chairman of the US Senate Foreign Relations Committee, Senator Claiborne Pell – cold-shouldered by the administration. When I asked why in Washington last month I got a one-word answer: "Turkey".

**The Turks, it seems, are terrified that any support for the political aspirations of the Iraqi Kurds would have repercussions on their side of the border**

The Turks, it seems, are terrified that any support for the political aspirations of the Iraqi Kurds, even though those aspirations are so far confined to real autonomy within a democratic Iraq rather than independent statehood, would have repercussions on the Turkish side of the border, where there is a much larger Kurdish-speaking population. South-eastern Turkey has for years now been the scene of a guerrilla war between the Turkish army and Kurdish separatists. The area has been under martial law since 1978, but a military solution seems no nearer. Journalists and even some politicians in Ankara have begun to canvass the need for a political solution, aimed at detaching the mass of the population from the separatists by offering them not only economic development (which has long been official policy) but, if not administrative autonomy, at least some cultural rights – for instance the right to education, newspapers and literature in their own language.

So far the Turkish armed forces, and apparently the government, are resisting this line of thought. The official line is that Turkey is a polyethnic state held together by a single Turkish culture, and any movement seeking to divide Turkish citizens on ethnic or linguistic lines remains outlawed by the constitution. But this line is becoming untenable. There are growing numbers of educated Kurds who are aware of being culturally different from Turks because Turkish is not their mother tongue. Political separatism does not necessarily follow from this, unless the Turkish state continues to repress Kurdish culture.

Faced with Saddam Hussein, a shrewder Turkish policy might be to "play the Kurdish card", by proclaiming Turkey a binational state of Turks and Kurds. That would correspond to the facts, and also would have a certain historical legitimacy. The original manifesto of Turkish nationalism, later known as the National Pact, was adopted in 1919 at a congress of delegates from the eastern provinces of Anatolia, in many of which Kurds outnumbered Turks. It did not refer to Turkey or the Turks as such, but to "areas inhabited by an Ottoman Muslim majority, united in religion, in race and in aim". It demanded self-determination for the Arab parts of the Ottoman Empire, but insisted that all other parts inhabited by a Muslim majority should remain an undivided whole. The nationalist leader Mustafa Kemal (later surnamed Ataturk) promised, at that time, that Kurds and Turks would have equal rights.

It was generally understood that the area covered by the National Pact included the vilayet of Mosul, in which Kurds and Turks together easily outnumbered Arabs. The British, however, arranged for the incorporation of that vilayet, by then known to contain important oil reserves, in the new kingdom of Iraq which they set up for their protégé Faisal (son of Sharif Hussein of Mecca), after his expulsion from Damascus by the French.

Iraq was to be governed under British mandate, and Britain was concerned to draw its frontiers as generously as possible. H.R.P. Dickson, who attended the Uqair conference of 1922 at which Sir Percy Cox settled the borders of Iraq, Kuwait and Najd (which was to become Saudi Arabia), has left the following account: "Sir Percy took a red pencil and very carefully drew in on the map of Arabia a boundary line from the Persian Gulf to Jabal 'Anaizan, close to the Transjordan frontier. This gave Iraq a large area of the territory claimed by Najd. Obviously to placate Ibn Sa'ud, he ruthlessly deprived Kuwait of nearly two-thirds of her territory and gave it to Najd." So there is another sort of "linkage" which Saddam Hussein, who now sits on Faisal's throne, should perhaps consider. If the frontier settlements imposed by British imperialism were now to be called in question, as he suggests, both Saudi Arabia and Turkey could put forward claims to large and valuable areas of Iraqi territory.

FINANCIAL TIMES
Tuesday October 16 1990



# Nobel prize for the break-up of an empire

## Mikhail Gorbachev won the Peace Prize for what he did not do, reports **Quentin Peel**

PRESIDENT Mikhail Gorbachev has won the Nobel Peace Prize for what he did not do, not for what he did.

Or so it could be argued, though that would be only part of the story. His positive achievements are clear: in promoting international dialogue, turning Cold War summits from confrontation and point-scoring into exercises in co-operation, unilaterally cutting arms to relaunch the disarmament process, and in his vision of a new world order centred on man, not ideology. These are all thoroughly constructive.

And yet the one exercise which really made people in the west believe in him was the fact that he did nothing to stop the march of democracy in eastern Europe. He did not send in the tanks.

Indeed, his responsibility was even greater. His very presence in Berlin one year ago, much like his presence in Peking not long before, proved the catalyst for localised demonstrations to explode into a national movement for democracy. The fact that the outcome in Berlin was not another Tiananmen Square massacre was a tribute to Soviet restraint.

Mr Gorbachev is the first Communist leader to win the Nobel prize, and a crucial factors were that he allowed communism to collapse in eastern Europe. President Gorbachev has so far presided over an extraordinarily peaceful disintegration of his empire. There have been localised explosions of bloodshed, but they have been remarkably few and contained, given the trauma of the process.


Now, however, the fact that he has not been ready to use military might to preserve the unity of his empire, even within the borders of the Soviet Union itself, may be coming back to haunt him. More and more reformist supporters are urging the Soviet leader to use force to keep the country from disintegration, and to prevent the democratic debate from descending into anarchy.

In some ways, the award of the Nobel prize could scarcely come at a more embarrassing moment, domestically. Mr Gorbachev's popularity is at an all-time low, somewhere around 20 per cent according to the latest opinion polls.

More seriously, both his moral and practical authority appear to have collapsed. His ability to ensure the enactment of presidential decrees – on disarming militia groups, protecting communist monuments and enforcing economic contracts – is in doubt.

Yesterday, the Soviet leader was forced yet again to postpone presentation of his plan for radical economic reform as he sought to rewrite it to accommodate the objections of the country's republican leaders. Many radical reformers fear that his prevarication means the moment for decisive action has passed.

The popular reaction in Moscow to news of the Nobel prize award was sceptical.

"It is scarcely an appropriate moment," said Natasha, a university student. "I don't know what people will think. With all the queues and shortages, they won't be very impressed when they hear of the $700,000 he has won. I only hope he gives it to a good cause."

"I think it is diabolical," said Ruslan, a dissident and former political prisoner. "They must be crazy. He does not begin to be in the same league as Dr Andrei Sakharov." Even Mr Gennady Gerasimov, the official spokesman for the foreign ministry, could not resist a crack: "We must remember this certainly was not the Nobel prize for economics."

In the Supreme Soviet one industrial worker deputy pointedly refused to take part in the otherwise universal applause. "I am not clapping because the economy is bad, and the people are living badly," he said.

Seldom has the gap between domestic and international perceptions of Mr Gorbachev seemed so wide.

"The Nobel committee just does not know what it's like here," a young teacher told Reuters news agency. "Let them spend a couple of months living like Russians and see how they feel. Is peace only for foreigners?"

Thanks to its economic plight, the Soviet Union has become ever more introverted, unconcerned with what may or may not be the impressive achievements of Soviet foreign policy. The conservatives are bothered at the loss of empire. The rest are just concerned with daily survival.

# UAL places record $22bn order with Boeing

**By Paul Betts in London and Barbara Durr in Chicago**

A RECORD $22bn order for Boeing aircraft was placed yesterday by United Airlines (UAL), one of the world's largest airlines.

The order makes UAL the launch customer for the long awaited Boeing 777 twin-engined wide-body aircraft. It involves firm orders for 34 Boeing 777 aircraft and options for 34 more, as well as firm orders for 30 Boeing 747-400 jumbo jets and options for an additional 30.

The deal will intensify the already fierce battle between Boeing, McDonnell Douglas and the European Airbus Industrie (AI) consortium in the growing market for wide body medium to long-range airliners.

The signing is a disappointment for Airbus, which was competing with its rival A330 twin-engined wide body aircraft, and for Rolls-Royce which was hoping to win the $4.6bn order for the engines to equip the Boeing aircraft.

The engine order went to Pratt & Whitney, the subsidiary of United Technologies of the US, whose PW4000 will have the advantage of being the launch engine.

The UAL deal will encourage other large US and foreign carriers to consider ordering the new Boeing 777 and will enable the US aircraft manufacturer to launch formally the $4bn-$5bn development programme for this new twin-engined 360-390 seat airliner.

The 777 programme will involve some 8,000–10,000 jobs, with first deliveries in 1995. Boeing is for the first time offering the new aircraft with folding wingtips to enable it to operate out of crowded airport terminals.

Mr Frank Shrontz, Boeing chairman, said "the importance of today's commitment to Boeing cannot be overstated". He expects more orders for the 777 by the end of year.

Among foreign airlines, British Airways and All Nippon Airways have expressed interest in the 777. BA is expected to decide on a $4bn fleet renewal and expansion programme later this year. However, the UK carrier said yesterday it was still looking at the Boeing, Airbus and McDonnell Douglas options to replace its older McDonnell Douglas DC10 and Lockheed TriStar L1011 jets.

No details were given on the financing of the deal which comes as airlines, especially in the US, are being increasingly squeezed by soaring jet fuel prices and the threat of recession. Mr Stephen Wolf, the UAL chairman, said the deal would have little near term impact on the company's cash position.

Mr Shrontz said that unlike Airbus, which enjoys government subsidies, Boeing would be unable to offer financing to UAL. The US government has recently been putting pressure on the European Commission to reduce Airbus government support. Airbus said yesterday that although it had been in the running for the UAL deal, it "could not go down to the level of concessions on price which Boeing made to ensure the launch of its new aircraft".

Boeing had been widely expected to win the deal because of its long standing relationship with UAL, where internal problems this year delayed the launch of the 777.

Boeing has been anxious to catch up on Airbus and McDonnell Douglas whose respective A330 and MD11 wide body programmes are already at an advanced stage.

However, UAL, the second largest airline in the US, has been shaken by a long and bitter buyout saga which forced the airline to suspend negotiations to acquire its new wide body jet fleet last July. UAL shares have been on a roller-coaster for months since the first buyout attempt collapsed last year.

# Italy fails to curb EC powers on state aid

**By Tim Dickson in Luxembourg**

CONTROVERSIAL efforts by Italy to curb the powers of the European Commission to control state aid payments to industry appeared to have failed last night.

Mr Adlofo Battaglia, Italy's industry minister, received only modest support on the issue from colleagues in other member states and had to be content with general promises of greater consultation and discussion with the Commission.

Yesterday's developments were seen as a victory for Sir Leon Brittan, the EC's competition commissioner, who is anxious to preserve maximum flexibility in the conduct of state aids policy.

The question of national subsidies to industry is causing increased concern in Brussels in the run-up to 1992. Latest Commission figures for the years 1986-88 showed that these amounted to Ecu82.3bn ($111bn), with the worst "offenders" being Germany (Ecu23.9bn), Italy (Ecu20.6bn) and France (Ecu15.3bn).

Before yesterday's meeting Mr Battaglia had written to fellow industry ministers urging a new regulation which would effectively give member states a role in deciding the criteria Brussels would apply in its state aid decisions.

Widely seen as an attempt to limit the Commission's independence, his initiative drew support yesterday from Spain, Belgium and to a more muted extent from France.

Britain, Germany, the Netherlands, Ireland, Luxembourg and Denmark all came out clearly against the Italian proposal, while Greece and Portugal were said to be impressed by Sir Leon's arguments that the smaller, poorer countries of the Community needed a firm Brussels hand.

Sir Leon announced three measures designed to increase the "transparency" of state aid procedures. He promised at least two meetings a year between officials from member states and the Commission to sort out technical and other difficulties; a full Council discussion of the Commission's annual report on competition policy; and a new compendium pulling together all the EC's case law on state aids policy over the last 30 years.

Sir Leon made clear, however, that contrary to Mr Battaglia's wishes there was no intention to draw conclusions from the compendium and lay down specific criteria for future decisions.

● European industry ministers yesterday agreed to postpone a full discussion on EC industrial policy until next month pending formal endorsement in Brussels of a new working paper on the subject.

A recent draft, Industrial Policy in an Open and Competitive Environment, appears to lend support to the views of Britain and others that the EC should concentrate its efforts mainly on creating the right environment for business, supporting areas such as research, training, and specific measures for small and medium sized companies.

Italy to join free travel zone, Page 3

# US wins support on farming subsidies

**By William Dullforce in Geneva**

TWELVE leading farm-produce exporting nations yesterday lined up behind the US in asking for slashing cuts in subsidies for agricultural products.

A 13th country, Canada, called for the elimination of export subsidies but took a more moderate line towards reductions in internal support.

The backing of the 12 for the US means that the European Community, whose embattled farm ministers are trying to agree on a 30 per cent reduction in farm supports, is becoming increasingly isolated on the crucial agricultural issue in the Uruguay Round of the General Agreement on Tariffs and Trade talks.

The US yesterday formally proposed its plan calling for reductions of 90 per cent in export subsidies and of 75 per cent in internal supports and the protection levied against imports at borders. The reductions would be made over a period of 10 years, beginning in 1991-92.

The proposal from 12 countries belonging to the Cairns Group, led by Australia, was in some respects even tougher. They matched the US demand for 90 per cent cuts in export subsidies over 10 years but demanded that the "export component" in US deficiency payments to farmers should also be subjected to a 90 per cent cutback.

The 11 countries supporting the proposal, in addition to Australia, were Argentina, Brazil, Chile, Colombia, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay.

Like the US, the 12 wanted all non-tariff border barriers converted into tariff equivalents and reduced by no less than 75 per cent, ending with a maximum customs duty of 50 per cent on any product at the end of the 10 years.

Developing countries would be expected to make lower cuts in border protection but would have to achieve reductions of no less than 45 per cent of the average trade-weighted reduction set for the developed nations. But they would have 15 years to meet the targets.

Mr Peter Field, Australia's chief negotiator, said the developing countries in the Cairns Group were showing that they were "prepared to bite the bullet".

They called for a 75 per cent reduction in internal supports to farmers but insisted that the reduction should apply across-the-board as well as to each commodity. The US proposed 75 per cent cuts in supports for specific commodities but set a ceiling of 30 per cent for sector-wide reductions.

Developing countries will again have 15 years to complete reductions, which must be no less than half the percentage reduction applied to developed nations.

Canada, also a member of the Cairns Group, tabled a separate proposal, calling for a 50 per cent cut in trade-distorting internal subsidies. Some observers saw this as an attempt to strike a compromise between the US and EC positions. Mr Michael Gifford, Canada's farm negotiator, said it represented "a pragmatic appreciation of what we think can be negotiated".

A cold wind, Page 4

# BIS chief predicts credit crunch

**By Stephen Fidler in London**

THE HEAD of the Bank for International Settlements, the bank for the world's central banks, warned yesterday of the risk of an international credit crunch.

Mr Alexandre Lamfalussy, the general manager of the highly conservative Basle-based organisation, expressed concern about the impact of high interest rates on countries and companies with historically high debt burdens.

In a speech for delivery in Helsinki, he said: "It may not be going too far to say that we face the risk of an international 'credit crunch' and – only partly dependent on what happens to oil prices – the possibility of an inflationary recession."

A credit crunch suggests that some borrowers will cease to have access to credit at any price.

He said that, "the question of the robustness of the globalised financial system in the face of a recession involving inflationary pressures and high interest rates" might require urgent attention.

He said a global shortage of savings relative to investment needs was underlying high interest rates.

He cited expected demand for capital in east Europe and the Soviet Union and high budget deficits.

But on top of this, Japanese banks – whose share of all international banking activity rose from 21 per cent to 38 per cent in the five years to 1988 – found their capital under pressure because of the sharp declines in the Tokyo stock market.

This had led them to curb lending at the same time that US banks were retrenching in response to the impact of falling real estate prices.

He also said "considerable over-capacity in parts of the financial sector" internationally was a cause for concern. Over-capacity contributes to a competitive environment and pressure on profit margins. This is in turn seen as the reason for the short-term "churning" in financial markets – trading not required fundamentally but used to generate fee income. The phenomenon, which gives financial institutions a vested interest in asset price volatility, contributes to the tendency known as "short-termism".

He expressed concern about strains on the banking systems in the US and Japan which arose, he said, partly from contradictions between asset prices and economic fundamentals that had persisted over the medium term. There was a need to understand these misvaluations better and find out if they were linked to new financial products and practices, he said.

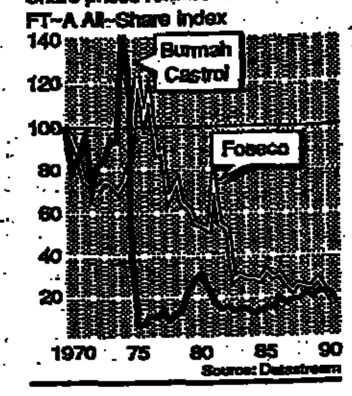
THE LEX COLUMN

# An overdose of arguments

Though the chancellor offered a generous choice of justifications yesterday for the timing of the UK's entry into the ERM, they were something of a mixed bag. The emerging case seems to be that three basic pre-conditions were fulfilled: money supply growth back in line, the economy slowing down and sterling at the right rate. The first of these is unarguable, the second perhaps less so. The real problem is with the third.

Mr Major's argument here falls into two parts: that the central rate of DM 2.95 is at the bottom end of independent estimates of sterling's purchasing power parity; and that it is also the average rate for the past decade on an inflation-adjusted basis. For UK manufacturers, more than for most of their Continental rivals, what matters is not so much sterling's competitiveness against the D-Mark as its rate against the dollar. By any reckoning, the dollar now looks undervalued against the D-Mark and is getting more so. As for sterling's inflation-adjusted rate against the D-Mark, it is not quite clear how the sum has been calculated. But in general, the 10-year graph is one of steady decline; adjusted for inflation, it must be rather steeper. Why the mid-point of such a decline should be the right level now is by no means obvious.

As for the economy slowing down, the ambiguity of the evidence was neatly underlined by yesterday's September retail sales figures. Year on year, the increase in volume of 0.2 per cent was in stark contrast with July's figure of 2.7 per cent; on a quarterly basis, the third quarter showed a similar pattern of 1.0 per cent growth against 1.6 per cent the previous quarter. But the monthly increase was as low as that back in March, only to recover sharply; and the quarterly figure was the same in the fourth quarter of last year. On almost zero volume growth, September's change in value was a generous-looking 7 per cent. UK shoppers may be down, but they are not yet out.




## Burmah/Foseco

The most interesting aspect of Burmah Castrol's £237m bid for Foseco is not that it was contested, or that someone had at last shown a definite interest in a tired old takeover target. It was the near 9 per cent fall in Burmah's share price on a day when most shares were rising. The 12.1 times prospective earnings that Burmah is promising to pay is hardly generous; and while Foseco's earnings decline may not have bottomed, Burmah cannot be accused of paying a silly multiple for a company at the top of its cycle. One can only speculate about the market's reaction if Burmah had dared to issue its paper.

Foseco lost its way a long time ago. Next year's profits may well be lower than the £34.5m earned in 1984, and previous managements have tried the kind of remedies being suggested by Burmah yesterday. No one really questions that Foseco's businesses would benefit from an infusion of outside management talent. But as yesterday's Burmah share price reaction indicates, there is a serious question about whether Burmah is the right bidder. Its own track record in speciality chemicals has been lacklustre and the quality of its earnings is going to suffer if it succeeds. Castrol may be a mature business, but it is far more profitable and a good deal safer.

## STC

A degree of cynicism seems the appropriate response to STC's curious announcement that it might be the subject of a bid from one of its prospective telecoms partners. This is hardly news; the possibility was widely discussed even while the ink was drying on the papers agreeing the ICL sale to Fujitsu in late July. Indeed, it appears it was the quantity of speculation rather than the imminence of any deal which prompted the Takeover Panel to intervene. Yesterday's small jump in the group's share price will nevertheless be welcome to a board which has often said it is unlikely to oppose a bid; if a bidder is to top the market price, the higher the starting point the better.

The announcement was the clearest admission yet by STC that it is simply too small to become a real force in European telecoms. The question is why the shares failed to hold their modest gain yesterday. Since the beginning of August they have outperformed the index by just under 20 per cent. Despite yesterday's statement, the market senses that any deal is unlikely to exceed £3 per share, against a theoretical value of up to 335p. Economic fundamentals have changed for the worse since the ICL sale and STC's failure to extract a premium price from Fujitsu is daily looking more pardonable. Given the implicit admission that STC is heading for an agreed break-up bid, possibly between Alcatel and Northern Telecom, shareholders face a not unpleasant Hobson's choice. There are plenty who will be willing to sell below £3 between now and any deal.

## Midland Bank

When a bank has to put its headquarters up for sale, it is a sure sign that all is not well. Standard Chartered has sold its head office, as have some of the more troubled New York money centre banks. But they had just about run out of ways of raising extra capital. Aside from the obvious symbolic value of a bank maintaining the ownership of its head office, most banks will already have boosted their capital ratios by revaluing their head offices. So what is the market to make of yesterday's admission by Midland Bank that it might move out of its magnificent headquarters in Poultry, if someone made it a handsome offer?

Midland is only talking about leasing its head office, and may just be testing the water to see if there are any Japanese investors still anxious to pay a silly price for a trophy site next to the Bank of England. It is the sort of thing a more businesslike organisation should have done a long time ago. That said, Midland's capital ratios are reasonably robust – only Barclays has a stronger tier one capital ratio – and the City of London property market is weaker than it has been for a long time. Nevertheless, it should improve Midland's miserable profitability. The market would be wrong to interpret it as another sign of Midland's weakness.



## WORLDWIDE WEATHER

[illegible]

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS



Tuesday October 16 1990



## INSIDE

### Mixed results from US banks

Three US banks reported third-quarter results yesterday. Chase Manhattan, the second biggest US bank, and Security Pacific, the fourth largest US commercial bank, both suffered from real estate loan problems. Chase, as expected, reported a loss of $623m after a special $650m bad debt provision, while net income at SecPac fell 27 per cent to $135.3m. The New York banking group J.P. Morgan *bucked the trend with a net profit of $208m.* Page 22

### Tokyo takes to foreign ways


Foreign companies are being welcomed with open arms into the Japanese market for investment trust fund management. Warburg Investment Trust Management and Jardine Fleming Investment Trust Management will be the first foreign groups to take advantage of recent liberalisation. However, the move comes at an uncertain time for the investment trust business, *reports Michiyo Nakamoto.* Page 22

### Promising debut for Seeboard

A buoyant stock market debut seems assured for Seeboard, the UK electricity company, if only because many of its domestic customers — and potential investors — are elderly, comfortably off, or both. But Seeboard's future may be more closely tied to its commercial electricity sales, particularly if it should win the contract to supply electricity to the Channel tunnel. Clare Pearson looks at Seeboard's investment potential in the second of a series on UK electricity privatisations. Page 30

### Bronfman brothers abroad

The Toronto Bronfman brothers, financial wizards who stitched together one of Canada's biggest and most complex business empires, are in search of foreign partners to help them create a *multinational deal-making powerhouse.* The big question is whether Peter and Edward can reverse an increasingly visible groundswell of resentment in the financial community. Bernard Simon reports on the winds of change blowing through the Bronfman camp. Page 23

### Video failure hits Castle shares

The collapse of a year-old video rental subsidiary has knocked 75p off the share price of Castle Communications, the USM-quoted entertainments group. According to Schroder Securities, brokers to Castle, the video rental business "had hit a brick wall in the middle of the year" when demand for rented videos collapsed. Castle yesterday reported pre-tax profit up 5 per cent at £1.9m ($3.75m) on turnover up 63 per cent at £34m. Page 29

### Market Statistics



### Companies in this section



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **PARIS (FFr)** | | | |
| **Rises** | | | | **Rises** | | | |
| BASF | 211.9 | + | 2.9 | Accor | 755 | + | 19 |
| Bayer | 223.7 | + | 3.3 | Air Liquide | 648 | + | 10 |
| Hoechst | 205.4 | + | 1.8 | Havas | 507 | + | 22 |
| Siemens | 572.5 | + | 8.5 | Michelin | 68.9 | + | 4.8 |
| Volkswagen | 418.5 | + | 8.3 | Soc Gen | 378 | + | 15 |
| **Falls** | | | | **Falls** | | | |
| Porsche | 705 | − | 27 | Elf Aquit | 638 | − | 10 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Coca-Cola | 42¼ | + | ⅝ | Kobe Steel | 526 | + | 18 |
| Eastman Kodak | 37⅞ | + | 3¼ | Koyo Steel | 1160 | + | 80 |
| Intel | 31⅜ | + | 1⅜ | Marubeni | 705 | + | 35 |
| **Falls** | | | | Yasuda Fire | 867 | + | 67 |
| Dresser Inds | 17½ | − | ½ | **Falls** | | | |
| Halliburton | 47⅜ | − | 1⅛ | Hondu Paper | 2150 | − | 400 |
| NCR | 46¾ | − | 3¼ | Nikkiso | 1250 | − | 20 |
| **LONDON (Pence)** | | | | | | | |
| **Rises** | | | | Unilever | 658 | + | 5 |
| BET | 219 | + | 6 | **Falls** | | | |
| Bass | 1046 | + | 16 | Burmah | 455 | − | 41 |
| Booker | 420 | + | 5 | Castle Comms | 208 | − | 75 |
| ECC | 338 | + | 6 | Eurocopy | 193 | − | 10 |
| Eurotunnel | 443 | + | 10 | Guinness | 715 | − | 5 |
| Laporte | 483 | + | 8 | Highland Dist | 203 | − | 4 |
| Redland | 576 | + | 10 | Hillsdown | 261 | − | 13 |
| Reckitts | 713 | + | 24 | News Int | 115 | − | 9 |
| Rosehaugh | 88 | + | 5 | Tomkinsons | 181 | − | 9 |
| STC | 284 | + | 15 | | | | |
| SmithKline | 569 | + | 10 | | | | |

# IBM advances 27% in third quarter

**By Martin Dickson in New York**

INTERNATIONAL Business Machines, the world's largest computer company, yesterday announced a 27 per cent rise in third-quarter net earnings. The figures were flattered by large currency translation gains and were towards the low end of Wall Street's expectations.

IBM's *earnings* totalled $1.11bn (£562m), up from $877m in the same period of 1989, on revenues of $15.3bn, up 6.8 per cent from $14.3bn a year earlier. Earnings per share rose 29 per cent from $1.51 to $1.95 but analysts estimated that as much as 30 per *cent of the gain was due to the* decline in the value of the dollar.

Wall Street had been expecting earnings per share of between $1.85 and $2.15. IBM shares fell on the New York Stock Exchange to close at $99⅛, down $1⅛, on concern about next year's growth prospects.

Computer sales revenue dipped slightly during the quarter from $9.2bn last year to $9.07bn. Some weakness had been expected following IBM's unveiling of a powerful range of new computers, the System/390 family, in early September. Customers anticipating this introduction deferred decisions on ordering new equipment *over the summer.*

Nevertheless, IBM said it had not been able to meet demand in the quarter, both for the new machines and for upgrades of older ones.

Mirroring industry trends, IBM said third-quarter sales of its personal computers had been sluggish. That hit shares of Microsoft, the software house, whose new Windows 3.0 operating system is linked to up-market sales of IBM PCs. Microsoft shares fell $¼ to close at $56½.

IBM's revenues from support services rose 19.2 per cent to $2.81bn in the quarter. Software advanced 23 per cent to $2.43bn *and rentals and financing* was 26 per cent ahead at $958m. The company said overall revenues rose in the US and abroad, but did not give figures.

Mr John Akers, IBM's chairman, said that despite weakening economies in the US and other parts of the world and a significant product transition, the company continued to progress. It was encouraged by customer response to the System/390 and by the profit improvement due to restructuring.

Assuming no further deterioration in the world's economies, he forecast a substantially improved financial performance for 1990.

Ms Carol Muratore, an analyst at Morgan Stanley, said that while the quarter's performance was not dazzling, it was not that bad given the scale of IBM's product transition.

"They have a good handle on the high-end transition," she said, adding that she expected the company's earnings per share to total $10 in 1990 and $11 in 1991.

Earnings per share last year were $6.47 including a large pre-tax charge, and $9.05 without.

For the first nine months of this year, IBM reported revenues of $46bn, up 8.8 per cent from $42.2bn a year earlier. Net earnings were $3.6bn, or $6.21 a share, against $3.2bn, or $5.43.

# Polly Peck faces fresh threat from Swiss bondholders

**By Simon London and Stephen Fidler in London**

POLLY PECK International, the troubled UK group which last week secured a four-week debt standstill from its bank creditors, faces a further threat later this month at a meeting of its Swiss bondholders.

The meeting will be held on October 31 in Geneva. It has been called by Warburg Soditic, the Swiss subsidiary of the merchant banking group, S G Warburg, which led the six Swiss franc bond issues from 1987 onwards.

*At the meeting, holders of the* SFr600m ($472m) of bonds will vote on resolutions offering them early redemption of the paper.

Under the terms of the bond covenants, Warburg Soditic has the option, in the event of default on any other of the company's obligations, to call the meeting offering the bondholders "accelerated repayment".

The same resolution will be put to the six sets of bondholders and complex cross-default clauses will be triggered if any *one group votes* to take early repayment and that cannot be made.

The bonds were suspended by the Zurich stock exchange on September 21.

The exact wording of the resolutions has yet to be agreed but a spokesman for the bank said that formal notice of the meeting would appear in Swiss newspapers at the end of this week.

It is understood that representatives of the company and its legal advisers will be present at the meeting.

One bond, a 6¼ per cent SFr50m issue, *is due* for redemption on November 19, but the company has included those costs in its cash flow estimates. Beyond this, there are no redemptions until 1992.

The next interest payments on the remaining bond issues — which, as senior obligations, are thought to rank at least equivalent to the bank debt — are not due until next March.

The company must also secure agreement for the debt standstill from holders of £46.5m ($91.6m) of commercial paper, about £44m of which is expected to come due this month.

Much of this commercial paper was placed with banks and would fall under the standstill accord agreed Friday.

However, some is with Legal & General, the insurance company which has a seat on the bank steering committee, other institutions and perhaps some companies.

# Culture shock delays the wedding bells

## John Elliott examines Hongkong Bank's difficulties in managing its overseas expansion

PUT a Hongkong Bank cash card into a Midland Bank dispenser in London's Oxford Street and you instantly receive pound notes, debited to your Hong Kong dollar account. The dollar balance also flashes on the screen.

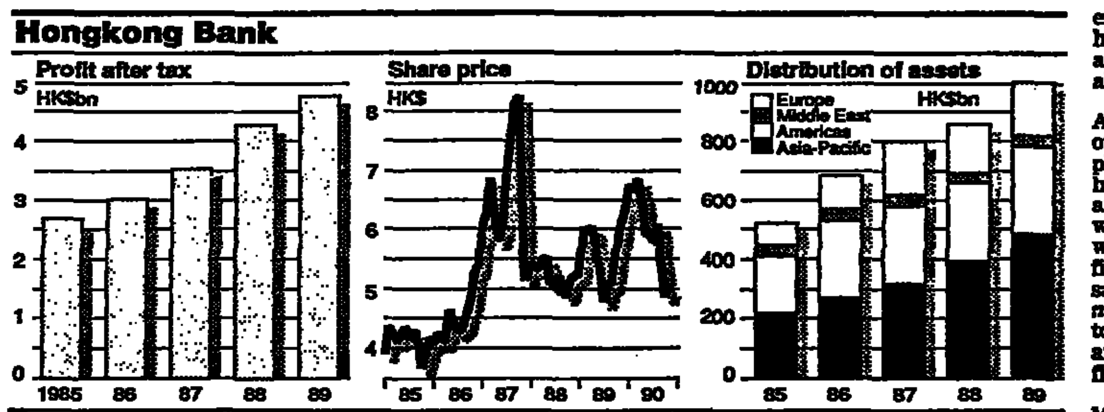
That electronic link-up is one of the more tangible results of the engagement to be married *which was arranged between the* two banks three years ago this December, when Hongkong Bank bought a 14.9 per cent stake in Midland.

But, after a three-year courtship, the wedding is almost certainly being delayed. The official line will probably be that both banks are facing losses in subsidiaries, with more uncertainty ahead.

Hongkong announced its first drop in profits since 1967 at the end of August. Even after some smoothing out through secret inner reserves, there was a 20.7 per cent interim post-tax fall to HK$1.35bn (US$175m). The Midland announced a pre-tax profit collapse in the first half from £315m ($160m) last year to £36m.

The primary reason for the *delay* appears, however, to be with the Hongkong and Shanghai Banking Corporation — to give it its full name. Hongkong Bank has run into such considerable problems trying to turn itself into a fully-international bank that it does not feel strong enough at present, in managerial and other terms, to press its role as suitor of the troubled Midland.

No one is admitting that, of course. But there is recognition of the management problems Hongkong has faced with unfa*miliar subsidiaries in far-off* countries such as Marine Midland Bank in the US, James Capel in the UK, and an over-extended offshoot in Australia, though it has done better in Canada and the Middle East.




"We have managed our strategy of expanding overseas with difficulty and we have not always been successful," says Mr John Gray, deputy chairman and finance director.

There has been an overall internal review and post mortem conducted from Hong Kong and Mr Gray says that the bank will "just have to tough it out" on losses in Australia and the US.

In the short term, capital has been strengthened in both the US and *Australia,* and operations have been cut back and businesses refocused. The operations might become viable in two or three years and "in the long term certainly are OK".

The irony is that the bank started its international expansion to reduce its risk as a Hong Kong-based institution before and after the colony returns to Chinese sovereignty in 1997. But the Hong Kong operations — the Hongkong Bank and the all-Chinese Hang Seng Bank — are con*tinuing to produce excellent prof*its, while the overseas ambitions flounder.

The acquisitions were partly chosen to tap trade flows involving Hong Kong after the Bank of England blocked a bid for the Royal Bank of Scotland in 1981. The most important were stakes in Marine in 1980 and James Capel in 1984, which became a wholly-owned subsidiary in 1986-87. The Australian offshoot was set up in 1986.

These deals did not give the bank the real international presence it required so, in December 1987, it bought the 14.9 per cent stake in the Midland. Politically, this gave it the prospect of a base outside the reach of China's Communist regime. There was also logic in banking terms because of Midland's strength in Europe and relative weakness in Asia.

But in the past three years, under the chairmanship of Mr William Purves, it has not done well outside its home base, mainly because it adopted a relative hands-off approach to its acquisitions. Mr Purves has defended this, saying: "We've always had the principle of autonomy for our country man*agers and subsidiaries.*"

Such a philosophy, however, does not allow for executives acquired overseas as a result of expansion, who do not have the same familiar disciplines as country managers brought up in the strict and paternalistic culture of a colonial bank.

"In neither the US nor Australia did we try to import our own culture, which was a weakness and a strength. In James Capel, there were also culture problems because Capel had a strong, established culture of the securities industry," says Mr Gray.

"In the US we purchased a culture and started off with only 51 per cent after jumping many political protectionist hurdles. So we could not change the culture, and even if we had put our own people in then, I don't think we would have done any better."

"In Australia, we built on the back of our merchant banking operation, and merchant bankers are quite different from commercial bankers. They built on relationships with entrepreneurial people on Australia's acquisition trail — and after every boom there is a bust."

That landed problems with Mr Alan Bond and other future loss *makers such as Quintex and the* National Safety Council, dragging down Hongkong Bank of Australia into a consolidated loss of A$81.6m (US$66.7m) last year after A$145.2m charges for debt write-offs. The entire bank's exposure to Bond is believed to have exceeded A$800m at its peak and is now thought to be down to about 25 per cent.

"I think we could have run Australia as a closer subsidiary of the bank, seconding more people there. I hope we could then have resisted expanding the balance sheet so fast, done more with the Asian ethnic community we *know* well, and *more* on trade finance which we also do well," says Mr Gray. "But it was a *de nouveau* situation and we wanted to show we were there — and anyway, all this is with the benefit of hindsight."

Co-operation came slowly in Marine and Mr John Bond, then the bank's New York director, only gained an office in the bank's building two years ago. Till then, Hongkong appears to have had little influence.

Now it is adopting a much more hands-on management, trying to reverse results of debt from less-developed countries and property problems which led to a net loss of US$25.8m in the second quarter. Whether Marine returns to profit next year depends partly on the property market.

"I don't think we had the skills to be more hands on, especially in the US, where it would have been very difficult, and with James Capel," he adds. "Now after the post mortem we are having more involvement from Hong Kong in things like credit arrangements, with more control of existing credit. There was an over-reliance on the wrong forms of security, and inadequate diligence on the form of credit.

"*What we have learned has* been applied to the whole bank, and the most obvious lesson to learn when you have losses is: know your customer."

Lex, Page 20; Midland may lease London HQ, Page 29

# Burmah launches £236.8m cash takeover of Foseco

**By Andrew Bolger in London**

BURMAH CASTROL, the lubricants, fuels and chemicals group, yesterday launched a hostile cash bid for Foseco, which valued the British speciality chemicals and abrasives producer *at £236.8m ($466m).*

Burmah Castrol is offering 275p for each Foseco ordinary share, *which jumped from 186p to* close at 280p. Shares in Burmah Castrol finished the day 41p lower at 455p.

Foseco rejected the bid as wholly unwelcome and unsolicited. It said the offer substantially undervalued the group's worldwide business.

Because more than 60 per cent of Burmah Castrol's trading profits come from the lubrication side, which purchases base oil on the open market, its share price has slumped since the Gulf crisis began. A condition of the bid is that it may be lapsed if the price of Brent crude oil, currently about $38.50 a barrel, goes above $50 during the next 60 days.

Burmah Castrol later said it had picked up 10.6 per cent of Foseco's shares from institutions at 275p.

Foseco enjoys a niche position providing metallurgical chemicals to the steel, foundry and aluminium industries. However, it has had only mixed success with acquisitions aimed at ridding the company of the "cyclical" tag by which it has been dogged in the City of London.

Burmah Castrol said it was attracted by Foseco's metallurgical chemicals activities and its construction chemicals division. But it believed Foseco's interests in abrasive and diamond products, bathroom accessories, water treatment and oil reprocessing did not fit with the rest of the group and would be reviewed for possible disposal.

Mr Lawrence Urquhart, chairman and chief executive of Burmah Castrol, said: "We have long identified the metallurgical chemicals sector as an attractive area for acquisition. In addition, by bringing our sealants business together with Foseco's construction chemicals activities, we shall create a *significant* international grouping, better able to compete in world markets."

Foseco *last month reported* a 22 per cent fall in pre-tax profits to £19m in the first half of this year.

Mr Urquhart said the consensus of analysts' forecasts since Foseco's interim results pointed to a significant earnings decline in 1990 to 22.8p per share, compared with 30.3p last year. He added: "On this basis, the multiple of 1990 earnings would be 12.1 times. In the light of Foseco's poor performance, this would be a generous multiple."

Burmah Castrol is being advised by Schroders and Wasserstein Perella of the US, with the British merchant bank taking the lead. Its brokers are Cazenove. Foseco's merchant bank is S.G. Warburg. Its brokers are Warburg Securities and UBS Philips and Drew.

Lex, Page 20

# Itel to raise $825m in disposals

**By Karen Zagor in New York**

ITEL, one of the world's largest lessors of cargo containers, intends to sell its multipurpose container leasing and services assets for about $825m to Genstar Container, a subsidiary of Gen*eral Electric Capital Corporation.*

Shares in Itel jumped $¾ to close at $11⅞ yesterday on the New York Stock Exchange. The company's stock, which traded as high as $24-a-share earlier this year, has been under considerable pressure because traders have shied away from companies with large debt burdens.

At the end of June, Itel had long-term debt of about $2.84bn and short-term debt of some $95m.

Furthermore, Wall Street was concerned about how Itel would finance its planned $375m stock re-purchase from the Henley Group of the US.

"This is a good price and it *answers questions about how Itel* will get the money to repurchase its stock," said Mr Burton Strauss, an analyst at Shearson Lehman Hutton.

"Itel is highly leveraged, as most transportation companies are, but it is in good shape, given the nature of the business."

The sale is forecast to give Itel a pre-tax earnings gain of about $250m, and analysts expect the company to pay down about $500m of debt.

Mr Rod Dammeyer, Itel's president, said: "The expected net cash proceeds from the sale of the container assets, after paying down container debt, will be sufficient to fund the share repur*chase.*"

Itel last year recorded net income of $29.9m or 47 cents per share on sales of $2.12bn, against $24.8m or 44 cents on sales of $1.64bn in 1988.

The group has made a successful comeback after seeking Chapter 11 bankruptcy protection in 1981, when its businesses were hit by severe rail car and container overcapacity. Itel emerged from Chapter 11 protection in 1983.

## INTERNATIONAL COMPANIES AND FINANCE

# J P Morgan beats trend and bounces back to profit

By Alan Friedman in New York

J. P. MORGAN, the big New York banking group, yesterday bucked the downward trend in US commercial banking by unveiling a third-quarter net profit of $208m, or $1.08 per share. The figure compares with a $1.8bn loss in the same quarter last year when the company made a $2bn addition to its reserves for Third World loans.

Chase Manhattan, the second biggest US bank, meanwhile reported, as expected, a third-quarter loss of $623m, or $5.03 per share, after a special $650m bad debt provision – much of it in the real estate sector. Chase also announced a $350m charge related to the bank's previously announced reorganisation, lay-off of 5,000 people and exit from several business areas.

In Los Angeles, Security Pacific, the fourth largest US commercial bank, said its third-quarter net income was down 27 per cent to $135.3m, or $1.05 per share, due mainly to real estate loan problems outside of the California market.

Mr Raphael Soifer, an analyst at Brown Brothers Harriman, said the Morgan performance was better than average because the bank's trading results and foreign exchange earnings were extremely strong, and because "Morgan is not sharing the asset quality problem of other money centre banks, is not as active in commercial real estate and is generally more conservative".

A striking feature of Morgan's results was the tiny relative growth in both non-performing loans and loan loss provisions – of only $18m and $10m respectively. Morgan's latest figures bring net income for the first nine months of 1990 to $614m, compared with a $1.4bn loss in the same period of 1989.

Mr Dennis Weatherstone, chairman, said pre-tax earnings rose to $300m from $172m in the third quarter. He noted that net interest revenue was stronger and investment management and operational services also continued to grow.

Security Pacific was able to absorb higher net credit losses in difficult markets thanks to earnings in core businesses, according to Mr John Kooken, chief financial officer. Mr Kooken said the return on assets of 0.78 per cent and return on equity of 15.3 per cent showed the bank was still able to report good year-to-date figures.

SecPac's third-quarter bad debt provision was $240.9m, against $126.2m in the same period last year. The credit loss provision primarily reflected UK and Australian losses and commercial real estate problems in Arizona.

Analysts were yesterday revising their 1991 SecPac forecasts, but several said that Californian banks were still much less hurt by the US economic downturn than their East Coast counterparts.

Chase Manhattan, meanwhile, said its non-performing domestic real estate loans totalled $1.5bn at the end of September. That represents nearly 16 per cent of Chase's outstanding US real estate portfolio of $9.5bn, one of the highest problem levels in the nation.

Chase has now produced a consolidated net loss of $527m for the first nine months of 1990, which may be brought down by year-end if the bank's forecast of fourth-quarter net earnings of around $140m holds up. Chase revealed yesterday its total global staff at the end of September was 40,990, down from 43,400 at the end of last June. The bank said last month it would halve its third-quarter dividend from 62 to 30 cents.

On Wall Street, the Chase share price was marked ¼ point higher at $12¾.

# PepsiCo earnings advance 25%

By Karen Zagor in New York

PEPSICO, the world's second largest soft drinks manufacturer, yesterday reported a 25 per cent rise in third-quarter net income, with strong profits and sales from its operations outside the US offsetting more modest growth in the company's domestic business.

For the three months ended September 8, PepsiCo turned in net earnings of $336.6m or 42 cents a share against $269.3m or 34 cents a year ago, on sales which rose 15 per cent to $4.48bn from $3.9bn.

Excluding a number of extraordinary items, PepsiCo's earnings per share advanced 21 per cent to 41 cents in the latest quarter.

Pre-tax earnings from continuing operations grew 39 per cent to $566m from $406.2m, including a net credit of $70.6m from extraordinary items.

The results were in line with expectations, and shares in PepsiCo were unchanged at $23¾ in morning trading on the New York Stock Exchange.

For the first nine months, the Purchase, New York-based company's net income grew 16 per cent to $$811m from $699.3m. Earnings per share rose 15 per cent to $1.01 from 88 cents. Excluding one-off items in both years, earnings per share increased 17 per cent.

Growth in PepsiCo's international operations outpaced the company's domestic results in all three of its major businesses during the third quarter.

In the soft drinks operations, international operating profits grew 64 per cent to $40.3m. Operating profits from PepsiCo's domestic soft drinks business rose 7 per cent to $193m. Total soft drinks operating profits increased 13 per cent to $233.3m.

Operating profits from the company's international snack foods business increased 29 per cent to $48.5m in the third quarter of 1990. Domestic earnings improved 7 per cent to $186.1m, while total operating profits were 11 per cent higher at $234.6m.

PepsiCo's three restaurant chains – Pizza Hut, Kentucky Fried Chicken and Taco Bell – increased operating profits on the international side by 28 per cent to $20.1m, while domestic profits grew 3 per cent to $127.2m.

# Ford and VW study Iberian sites for plant

By Kevin Done, Motor Industry Correspondent

FORD and Volkswagen are examining sites in Portugal and Spain for an assembly plant to produce a jointly developed multi-purpose vehicle.

The companies are expected to decide later this year whether to proceed with the project, following a detailed joint feasibility study launched late last year.

Mr Antonio Ernesto Neto da Silva, Portuguese secretary of state for foreign trade, said earlier this week he was confident that Ford and Volkswagen would locate the plant in Portugal.

The most likely site would be the industrial area of Setubal near Lisbon.

Ford and Volkswagen insist that no final decision has yet been made on whether to proceed with the project. At the same time, they maintain other sites, chiefly in Portugal and in Spain, are still under consideration.

Volkswagen and Ford, two of the world's biggest car makers, have been studying whether to join forces in Europe to compete in what is expected to be one of the fastest-growing segments of the European car market in the 1990s.

The project would be for development and production of a so-called multi-purpose vehicle, or people carrier, for a segment of the market pioneered in Europe by Renault with its Espace range.

Such vehicles are claiming a growing share of the US car and light truck market following the original success of the Chrysler Voyager launched in the mid-1980s. The concept has also been developed by several Japanese vehicle makers.

Nissan, Toyota and Mitsubishi have entered the fray in Europe with their Prairie, Previa and Space Wagon ranges, and most of the leading car makers in Europe are understood to be studying the development of such vehicles for the 1990s.

It is understood that Ford and VW are considering a combined production of 150-200,000 units a year with production beginning in 1993-94.

# Japan opens up to investment trusts

By Michiyo Nakamoto in Tokyo

THE Japanese market for investment trust fund management is being opened to foreign companies for the first time following the Ministry of Finance's approval of licences for two foreign groups.

Warburg Investment Trust Management and Jardine Fleming Investment Trust Management will become the first foreign companies to manage investment trust funds in Japan. The two, which could set up Japanese subsidiaries this month, were among four foreign groups to apply to manage investment trusts in Japan. The other two are MIM Investment Trust and Fidelity International.

Their entry into the Japanese market comes at an uncertain time. The domestic stock market has tumbled 42 per cent since January and investment trust funds have recently suffered huge cash outflows and a sharp decline in assets.

The opening of the Japanese investment trust market to foreign management companies also comes as Japan's financial authorities step up measures to deregulate the domestic investment trust market and introduce greater competition within the industry and to bring Japanese investment trust regulations closer to those in the west.

Officials at the two companies welcomed the decision, which had been expected for some time. Although the Japanese stock market has suffered a devastating decline this year, "it's a very good time to come into the Japanese investment trust business, after the market has fallen," said Mr Stephen Cohen, who will become director of the newly established Warburg Investment Trust Management in Tokyo.

Sales of investment trusts will be more difficult in the present market but the environment is good for the management of funds as stocks are cheaper and interest rates are high, says Mr Yoshio Hoshino, president-to-be of Jardine Fleming Investment Trust Management.

The newcomers are also optimistic that the investment trust market in Japan will continue to grow at an attractive rate. Japanese investment trusts have grown 10 per cent a year on average in the past 10 years. Net assets of investment trust funds in Japan have fallen from Y58,000bn ($426bn) last year to Y42,000bn at the end of August, and sales this year have been lacklustre. However, even if they only take a slice of this business, "it is well worth it," said Mr Cohen.

Deregulation of the domestic investment trust industry, which will give investors a wider choice of funds, is expected to spur greater performance awareness as competition in the industry increases.

The big advantage foreign companies have over their Japanese competitors is "a professionalism backed by a proven track record," said Mr Yasukazu Akamatsu, president of Fidelity Investments, Japan.

Both Warburg and Jardine will be receiving licences after months of screening by the Japanese authorities to determine whether the companies satisfy Ministry of Finance requirements, including management independence from their foreign parent company's ability to turn a profit after a five-year grace period.

The ministry is not approving entry without sufficient sales support from domestic brokers. The two companies have forged ties with several Japanese securities houses which will act as a retail network.

However, the prospects for the investment trust business in Japan look bleak in the short term, and both Fidelity and MIM, still waiting for licences, are cautious about entering the market. "The domestic investment trust market is going through a very difficult phase," said Mr Akamatsu at Fidelity. Japanese securities houses are having their own problems and are no longer in a position to make strong sales commitments to foreign companies.

# Salomon ends link in DFC restructuring

By Terry Hall in Wellington

SALOMON BROTHERS, the New York investment bank, is to transfer its 20 per cent shareholding in collapsed bank DFC New Zealand and pay US$8m in cash to National Provident Fund, the New Zealand state-owned superannuation group. This is expected to be the final step in Salomon's costly involvement in DFC, which crashed last year owing at least NZ$2.2bn (US$1.35bn) in debts.

The arrangement is part of DFC's restructuring plan put to creditors yesterday, which requires 75 per cent approval. It is almost certain to be adopted and follows months of talks with overseas lenders, notably a consortium of Japanese banks.

It appears to lift the threat that Salomon Brothers could face lengthy and expensive court action over its role in New Zealand's biggest corporate crash. However a condition is that none of the parties accept any liability.

Salomon's decision to invest NZ$22.5m in the former state-owned development bank in 1988 has proved an expensive and embarrassing one. Salomon had links with New Zealand for many years as a lead manager for New Zealand government loans and had been closely associated with DFC.

Within months rumours surfaced that DFC was in trouble. At first, the New Zealand government appointed statutory managers and refused to accept responsibility.

Apparently under pressure from the Japanese, the government last month agreed to a package that will see it put up NZ$112m in cash, according to yesterday's formal announcement, and guarantee up to NZ$818m of other debts to ensure creditors can be repaid quickly. All legal claims will be dropped as part of the agreement.

The NPF will spend a further NZ$841m buying DFC's tax losses which are valued at NZ$1.2bn as part of its participation in the deal.

Creditors agreeing the plan will receive new securities enabling a full recovery of principal amounts outstanding. The plan envisages that DFC will distribute new debt obligations to over 300 creditors, to allow principal claims to be repaid and to provide restructured debt in foreign currencies.

Mr Sandy Maier, DFC's statutory manager, said he believed the plan was in everyone's best interests. If accepted, creditors would be repaid, lengthy legal battles avoided and it would help the restoration of normal business relations between New Zealand companies and international financing institutions. It would also assist in enhancing confidence in New Zealand's financial system, he said.

The plan is based on the controlled realisation of DFC's assets over a period of years. Senior creditors will receive half their new debt as first tier debt and the rest as second tier. First tier debt will be repaid by April 1995 with repayments starting April 1991.

Second tier debt will be repaid by 1997. Mr Maier said that the level of interest payments would depend on recoveries from DFC's loan portfolio. An advantage of the plan was that holders of old debt denominated in US dollars, yen or NZ dollars would receive their repayments in the original currencies.

Under normal New Zealand law these would have been repaid in NZ dollars.

# Canada Packers offers dairy division for sale

By Robert Gibbens in Montreal

CANADA Packers, 56 per cent owned by Hillsdown Holdings of the UK, has put its dairy division up for sale, in line with a rationalisation programme begun in August by Mr David Newton, president. RBC Dominion Securities has been hired to find a buyer.

The dairy business does not meet Canada Packers' new, longer-term goals. The business, employing 400 at three Ontario plants, has annual sales of C$160m (US$140.4m). The business holds a significant domestic share of the cheese and butter market.

Canada Packers recently put its flour milling business into a joint venture with John Labatt, retaining a 60 per cent interest in a company with annual sales of nearly C$1bn.

# Apple upsets market with cut-price Macintosh range

By Louise Kehoe

APPLE Computer yesterday unveiled its long-anticipated new range of Macintosh personal computers. In a bid to increase market share, the company priced them as much as 50 per cent below current models.

The stock market reacted nervously to the announcement, however, amid concerns that Apple's profits would suffer as a result of lower prices. At midday, Apple's share price was down $1.25 at $27.

Its new low-end personal computer, the Macintosh Classic, will cost $999 in the US and £575 in the UK. The Classic, with one megabyte of memory and one floppy disk drive, is aimed at first-time computer buyers.

A new low-cost version of the higher performance Macintosh II, for office use, is priced at $4,897 in the US and at £2,295 in the UK.

The IIsi has 2 megabytes of memory, one floppy disk drive and a 40-megabyte hard drive with a standard keyboard and 13-inch colour monitor.

Apple also announced the Macintosh LC, or "Low Cost Colour" model, which it will begin shipping early next year, at a price of $3,098 (£1,495 in the UK). The LC has 2 megabytes of memory, one floppy drive and a 40-megabyte hard drive.

The company said the computers would be available simultaneously in the US, Europe and the Pacific region.

● Compaq Computer also unveiled a new personal computer yesterday. The new notebook-sized Compaq LTE386 is the most powerful computer of its size, the company said.

# NCR down 3% despite strong overseas sales

By Louise Kehoe in San Francisco

NCR, the US manufacturer of computers, and automated banking and retail equipment, saw net income decline in the third quarter, but a large share repurchase enabled it to post record earnings per share for the quarter.

Net income for the quarter declined 3 per cent to $91m from $94m a year ago. Earnings per share, however, rose 11 per cent in the quarter to $1.36 from $1.23 per share. During the third quarter, NCR bought back 2.2m common shares under its share repurchase programme.

Revenue increased 9 per cent to $1.52bn from $1.39bn for the year-ago period.

"Revenue overseas achieved a third-quarter high and was strongest in our Europe and Pacific marketing groups," said Mr Charles Exley Jr, NCR chairman and chief executive.

New orders for self-service financial terminals and personal computers, however, reached record levels in the third quarter, the company said.

Net income declined to $258m from $265m in the first nine months of 1989, on revenues which grew 5 per cent to $4.39bn from $4.17bn in the same period last year. Earnings per share for the nine-month period were $3.73, an increase of 10 per cent over the $3.40 last time.

The company repurchased a total of 6m shares during the nine-month period. Under the company's share buy-back programme, up to an additional 10m shares may be repurchased.

# Upjohn improves 10% to $106m

UPJOHN, the US pharmaceutical and health care company, yesterday reported a 10 per cent improvement in third-quarter net income, including discontinued operations, to $106m or 58 cents from $96m or 52 cents a year earlier. Sales improved 13 per cent to $747.1m from $661.7m, writes Karen Zagor.

The company, which is selling its Upjohn HealthCare Services business, said earnings from continuing operations rose 11 per cent to $112m.

Upjohn's operating income in the third quarter was 8 per cent higher at $159m, and amounted to 21 per cent of sales, compared with 22 per cent of sales a year earlier.

## COMPANY NEWS IN BRIEF

■ ALCOA OF Australia, the alumina and aluminium producer, said it faces a decline in earnings in the fourth quarter of 1990, Reuter reports from Melbourne.

Alcoa, 51 per cent owned by Aluminium Company of America and 48.1 per cent by Western Mining, earlier reported a 6.9 per cent rise in net profits to A$593.2m (US$494m) for the nine months to September 30, from A$554.7m, and sales ahead at A$2.22bn compared with A$2.1bn.

It said the international market outlook for the rest of 1990 continued to be sound despite some slowing of the US economy. "However, if the Australian/US dollar exchange rate remains at its current level, it will have an adverse impact on earnings in the fourth quarter 1990, which are expected to decline from the current level," it said.

■ Japan's corporate bankruptcies fell 15.9 per cent in the first half of fiscal 1990 to 3,070 cases from a year earlier, according to Teikoku Data Bank, a private credit research agency, Kyodo reports from Tokyo.

Teikoku said however, that in total, liabilities rose by 20.1 per cent to Y786.86bn ($5.78bn), due to a greater number of companies going bankrupt with liabilities of Y10bn or more. The number of such bankruptcies was 10, up from eight in the same period last year, agency officials said.

The number of companies going out of business due to labour shortages nearly doubled to 159, while 47 companies folded because of losses in their equity holdings.

■ Fiat, the Italian motor group, will take control of the 60 per cent stake it bought in Empresa Nacional de Autocamiones (Enasa), the Spanish truck producer, at the start of 1991, according to Mr Cesare Romiti, Fiat managing director, AP-DJ reports from Madrid.

He said the acquisition would be finalised as soon as the European Commission approved it.

■ L'Air Liquide, the French industrial gases group, is negotiating to buy Lusitafarme, a Portuguese cosmetics and pharmaceuticals manufacturer, and a deal could be announced soon, Reuter reports from Paris.

Lusitafarme had turnover in 1989 of Es2bn ($14.3m). Portugal accounted for about FFr240m ($45m), or nearly 1 per cent of L'Air Liquide's 1989 sales of FFr28.25bn.

■ Etisalat, the telecommunications company which is the United Arab Emirates' biggest joint-stock company, has halted a steady fall in its share price triggered by the Gulf crisis by announcing a hefty dividend payment, Reuter reports from Abu Dhabi.

It is to pay a cash dividend of Dh20 (US$5.50), which is 20 per cent of the shares' face value, for the first half of 1990. Etisalat stock on the telephone-traded UAE market had dropped nearly 23 per cent to Dh440 since Iraq's August 2 invasion of Kuwait.

■ Norsk Hydro, the Norwegian fertiliser, oil, metals and chemicals group, has agreed to to buy from W.R. Grace, the diversified US chemicals group, interests in ammonia and fertiliser production in Trinidad and Tobago for an undisclosed sum, AP-DJ reports from Stockholm.

The purchase includes Federation Chemicals, a wholly owned subsidiary of W.R. Grace, which operates an ammonia plant with an annual capacity of 255,000 short tons, as well as W.R. Grace's 49 per cent stake in Trinidad Nitrogen, which operates two ammonia plants with a combined capacity of 920,000 short tons.

■ Mazda Motor, a leading Japanese motor manufacturer, is considering joining a venture between Kia Motor of South Korea and Columbian Motors of the Philippines to produce cars in the Philippines, Reuter reports from Tokyo.

Kia and Columbian Motors have secured permission from the Philippine government to manufacture 1,200cc cars and plan to start production in 1992 or 1993, industry sources said. Columbian Motors is owned 15 per cent each by Nichimen and Nissan Diesel Motor and the rest by local investors. It produced about 220 trucks and buses in 1989.

■ Matsuzakaya, a leading Japanese department store, yesterday unveiled a 15 per cent advance in unconsolidated earnings to Y6.55bn ($48m) in the first half to August 31, owing to robust personal spending, AP-DJ reports from Tokyo.

Net profit soared 235.8 per cent to Y12.2bn, or Y78.57 a share, from Y3.63bn or Y23.40, boosted by an extraordinary profit of Y11.19bn, against 1.93bn, on the sale of land in the centre of Tokyo. Sales amounted to Y224.97bn, up 6.5 per cent from Y211.32bn.

■ Tak Wing Investment, the Hong Kong investment holding, construction and trading group, turned round to after-tax profits of HK$9m (US$1.15m) in the first half to June from losses of HK$14m a year earlier, AP-DJ reports from Hong Kong. Earnings per share recovered to 9.1 cents from losses of 13.4 cents the previous year. Turnover surged 57 per cent to HK$516m from HK$328m. There is again no interim dividend.

## INTERNATIONAL COMPANIES AND FINANCE

# Fermenta's US fungicide maker sold to Japanese

By John Burton in Stockholm

FERMENTA, the Swedish pharmaceutical and finance group, yesterday announced it had sold SDS Enterprises, its US-based producer of fungicides, to Ishihara Sangyo, the Japanese chemical concern, for $300m.

The divestment is part of Fermenta's strategy of reducing its biotechnology activity as it concentrates on financial services. For Ishihara, the deal reduces its dependence on titanium oxide, of which it is the largest Japanese producer, and expands its US activities.

Fermenta announced in April that it would sell SDS and its other US subsidiary, Fermenta Animal Health, which is still for sale.

It explained that the two units, which account for two thirds of the revenue from the company's chemical and pharmaceutical operations, had not performed to expectations.

SDS reported a profit after financial items of SKr192m last year on sales of SKr1.2bn ($214m). Animal Health, which produces veterinary medicine, suffered a loss of SKr18m in 1989 on sales of SKr463m.

The sale of SDS, expected to be concluded in November, coincides with problems Fermenta is encountering with its finance company, Independent/Infina, due to a liquidity squeeze that has hit several Swedish concerns in the sector.

Fermenta was forced to inject SKr200m into Independent/Infina and sell its credit card unit Finax for SKr200m to strengthen the finance company's capital base after it reported a loss of SKr325m for the first eight months of 1990. The deficit was due to losses from foreign exchange and securities trading.

# Danielsson quits post at Procordia

By John Burton

MR ERIK DANIELSSON, the 46-year-old former president of the Swedish pharmaceutical company Pharmacia, has resigned from his new post as an executive vice-president at Procordia, the food and drug conglomerate that recently took over Pharmacia.

The resignation follows harsh criticism by the Swedish business press and market analysts of Mr Danielsson, once regarded as one of Sweden's best managers.

The criticism stems from estimates by Procordia that a restructuring of Pharmacia's operations, particularly its loss-making biotechnology unit, would account for 70 per cent of the SKr1.6bn ($286m) it was spending to reorganise the company after acquiring Pharmacia and the Provendor food group from Volvo.

The restructuring costs resulted in Procordia reporting a 58 per cent drop in profits after financial items to SKr959m in a pro forma eight-month report last week.

Erik Danielsson: 'personal reasons' for resignation

Mr Danielsson has responded by accusing his critics of short-sightedness and of under-estimating the large research and development costs needed to develop a pharmaceutical company.

Mr Danielsson cited personal reasons for his departure as executive vice-president for Procordia's health care sector.

He will remain as a consultant to Mr Soren Gyll, Procordia president.

# Bronfmans' wizards concoct a fresh mix

**Bernard Simon** on a corporate shake-up aiming to revive confidence among investors

A dramatic reversal of investor confidence in companies controlled by Toronto brothers Peter and Edward Bronfman has led to a rare burst of public soul-searching by the financial wizards who stitched together one of Canada's biggest and most complex business empires.

Candidly admitting past mistakes and promising to simplify a tangled corporate structure, the Bronfman brothers' advisers, led by the normally reclusive Mr Jack Cockwell, have worked day and night in the past month to drum up sympathy among investors in the US, Canada and Europe.

Also, the Bronfman managers, who oversee such well-known companies as Noranda, the resources giant, Royal Trust, the financial services group, and John Labatt, food and beverage processor, are seeking foreign partners to help them create a multinational deal-making powerhouse.

The wind of change blowing through the Bronfman camp is evident in tactics as well as strategy. Six months ago, a Toronto brokerage boutique was told that Mr Cockwell and his colleagues would make a presentation to the firm only if it could guarantee the attendance of at least 15 big institutional investors. Last month, the mere mention of an invitation was enough.

The big question is whether Mr Cockwell and his colleagues can reverse an increasingly noticeable groundswell of resentment in the financial community.

The disgruntlement was turned into action in mid-August when a large US institution unloaded 1.6m shares in Hees International, the merchant bank and management company at the hub of the Bronfmans' holdings. Since then, share prices of all Bronfman holding companies have fallen sharply.

Hees' share price has plunged from C$22 to less than C$15. In the past year, Brascan, another Bronfman kingpin, has lost more than half its value. Shares in a third holding company, Edper Enterprises, have sunk from a peak of C$27.88 to just above C$10.

The Bronfman managers, several of whom (including Mr Cockwell) are South African-born accountants, are credited with having some of the most finely-honed financial minds in Canada. Specialising in "corporate work-outs", they have come to the rescue of several faltering pillars of Canadian business.

Hees organised a C$187m (US$119m) loan for securities firm Wood Gundy when it was threatened by massive losses due to underwriting the British Petroleum share issue at the time of the October 1987 crash.

More recently, Hees has parachuted its managers into National Business Systems, a fraud-riddled credit card and security systems manufacturer, and into ailing BCE Development, which is trying to complete North America's biggest commercial property construction programme.

Although they command respect, the Bronfman team has antagonised a broad cross-section of the business community. Their almost incomprehensible web of interlocking companies, some public and some private, is primarily geared, in the view of many outsiders, to sustaining itself rather than benefiting other shareholders.

One Toronto analyst says: "They've used their power and influence to strong-arm institutions into accepting their aims and goals."

Investors have become critical of the speciality known as "top-down" financing, in which companies participate as a matter of course in each others' rights issues. "Money is also flowing upwards," says one analyst. "Operating companies are making investments in holding companies."

As each block in the Bronfman pyramid appears vulnerable to tremors in other parts of the structure, markets have also been made edgy by a heavy exposure to some notoriously volatile sectors.

The Canadian economy has slipped into a recession. Two Bronfman companies, homebuilder Bramalea and Royal Trust (whose core business is home mortgages), have reported a sharp setback in earnings. MacMillan Bloedel, the forestry group, and Noranda are likely to follow suit in the next few weeks.

Hees and Brascan managers now acknowledge that taking Edper Enterprises public last year was a big mistake. The move was designed to give substance to an agreement between the Bronfman brothers, nephews of Mr Sam Bronfman, the founder of the Seagram drinks empire, that the market should determine the value of their holdings if one of them wanted to pull out.

Edper was chosen as the vehicle for Edward, the older of the two and the less interested in the business, gradually to be replaced as a controlling shareholder by half-a-dozen Hees managing partners and Mr Cockwell, Brascan executive vice-president and chief operating officer.

Edper will be taken private again within the next four to five months.

The plan is also to rationalise holdings down the pecking order by bringing dispersed assets which fit together under one umbrella, and by eliminating operating companies that no longer serve a useful purpose.

Hees, which is the banker and management consultant to the group, will become the senior public company.

Brascan, the holding company for Noranda and Labatt, will gain another stable leg with the addition of the group's utility interests, which include various Canadian and US energy companies. Carena will continue as the umbrella for the group's real estate interests.

Some of the biggest changes are planned for Pagurian, a public company currently the vehicle for the managers' holdings in Edper. As Edward Bronfman bows out, the shareholders of Pagurian will become Peter's control partner.

Two Canadian institutions, which the managers decline to identify, are already part of the Pagurian control block. The search is now on for up to five Far East and European investors willing to chip in C$100m each to get, in the words of one manager, "a window on Canada and a more gentle entry into North America than the US".

A partnership of this kind would provide new sources of top-down financing for the Canadian companies.

Perhaps more important, it would smooth the way for Mr Cockwell and his colleagues to play on a bigger, international field where there is less chance of them being vilified as bullies.

# CGIP jumps after one-off gains from two holdings

By George Graham in Paris

COMPAGNIE Générale d'Industrie et Participations (CGIP), the French holding company controlled by the Wendel family, has reported a large jump in first-half profits as a result of large exceptional gains on two holdings.

Net income totalled FFr709m ($139m), compared with FFr358m in the first six months of 1989, including FFr329m of capital gains. CGIP is the main shareholder, alongside the UK's MB Group, in CMB Packaging, the leading European packaging company.

The capital gains resulted mainly from the sale of CGIP's 10 per cent stake in Société Auxiliaire d'Entreprise, the construction company, and of Senelle-Maubeuge, a financial holding company.

Mr Ernest-Antoine Seillière, CGIP's chairman, said he was pleased that these dis-investments, which had been programmed to give the group the means to seize investment opportunities and provide resources for its main subsidiaries, had been completed before the Gulf crisis.

Mr Seillière said CGIP expected to reach net profits of more than FFr1bn for the full year, including these exceptional gains. This would imply earnings per share above FFr170, compared with FFr128 in 1989.

He said earnings from CMB had been satisfactory on the operating level, though the company had been weakened by heavy expenses.

After the creation of CMB in 1989, this year has seen CGIP's other main participation, the computer services group Cap Gemini Sogeti, also expand on a European scale, through the acquisition of Hoskyns in the UK.

CGIP increased its overall interest in the company by taking part in the setting up of a new three-tier holding structure.

Mr Seillière said CGIP's main assets, especially CMB and Cap Gemini, seemed unlikely to be particularly vulnerable to the slowdown in economic activity.

## COMPANY NEWS IN BRIEF

VALEO, the leading French motor components supplier, is to sell its brake friction material business to Allied-Signal Automotive, the US parts group, for FFr385m ($75m), writes William Dawkins.

This is Valeo's fifth and biggest disposal this year, part of a policy of pulling out of non-strategic activities to concentrate on product lines to maintain a position among the European market leaders.

Valeo will continue to distribute brake linings for the replacement market under the deal, which has yet to be endorsed by the Finance Ministry. The business being sold has FFr600m annual sales and a workforce of 1,200 in two factories at Condé-sur-Noireau in Normandy and Alcala de Henares near Madrid.

■ Sandoz, a Swiss chemicals and drugs group, said group sales for the first nine months of 1990 rose 1 per cent to SFr9.55bn ($7.5bn) from SFr9.48bn in the same period in 1989, AP-DJ reports.

In local currencies, and excluding "hyperinflationary countries," group sales rose 10 per cent, reflecting improved market penetration.

■ Saab Automobile has reported a loss before tax and appropriations of SKr2.1bn ($375m) for the first eight months of 1990, Reuter reports. The company is a joint venture formed in January between Saab-Scania and General Motors. Sales were SKr9.75bn, and production, sales and administration costs SKr10.95bn.

# DnB to reveal loss after merger

By Karen Fossli in Oslo

DEN NORSKE BANK (DnB), Norway's biggest bank, will today announce credit losses at the eight-month mark of NKr2.2bn ($373m) and net losses of NKr300m.

DnB, formed from a merger in April between Bergen Bank (BB) and Den norske Creditbank (DnC), posted net profits of NKr45m in the period last year. Then BB posted net profits of NKr354m, while DnB experienced net losses of NKr272m. The two banks announced credit losses for the whole of 1989 of NKr2.9bn.

Eight-month figures for this year will show operating income of NKr2.33bn, versus combined operating income last year of NKr2.88bn.

Group operating profit before losses will hit NKr1.97bn, versus a combined operating profit, before credit losses, of NKr2.67bn.

Operating expenses for the period are estimated at NKr3.77bn against NKr3.98bn. Last October, when the merger was announced, the banks claimed that the link would allow total operating costs to be reduced by between NKr500m and NKr750m annually.

The reduction in operating costs was also said by the banks to be one of the principal advantages of the merger and the economies in this area.

Eight-month interest expenses declined by NKr931m to NKr12.48bn. Net interest income fell slightly to NKr3.4bn from NKr3.75bn.

Income from securities' trading also declined to NKr401m from NKr491m, while foreign exchange income fell to NKr349m from NKr452m.

● GOTA, parent company for Sweden's fourth-largest bank, reported a 36 per cent increase in operating profit to SKr967m ($173m) for the first eight months of 1990, John Burton adds from Stockholm.

Gota expects profits for the year to exceed the SKr1.2bn of 1989. But it warned that credit losses would mount due to the finance company liquidity crisis, weaker property prices and the deteriorating economy.

## INTL. COMPANIES

# Skopbank moves into the red with FM115.9m loss

**By Enrique Tessieri in Helsinki**

SKOPBANK, the Finnish savings bank, plunged into the red in the first eight months of this year with losses before appropriations and taxes of FM115.9m ($30.9m), against a profit of FM404.9m the previous year.

Skopbank is the first large Finnish bank to report a loss this year.

The end to the protected days of Finnish banking has forced banks like Skopbank to take measures to reduce overheads in the face of stiffening competition.

Mr Christopher Wegelius, president, blamed the loss on the deteriorating state of the Finnish economy and high Helsinki interbank offered rates (Helibor).

At the net operating level, there was also a loss, of FM127.6m against a profit of FM407.8m. Credit write-offs, however, were less than in 1989, falling to FM63.4m from FM87m. Interest expenses rose by 45.8 per cent to FM6.59bn.

On a per-share basis, Skopbank had a loss of FM1.20 against a profit of FM2.29 in 1989. Return on equity also plummeted to minus 5.4 per cent from a positive figure of 12 per cent.

Meanwhile Okobank, the co-operative 'bank, reported an 11.9 per cent increase in its eight-month profits before appropriations and taxes to FM242.2m. Consolidated credit losses for the period dropped by 15.4 per cent to FM27.5m.

# Euroc forecasts decline due to weak demand in UK

**By John Burton in Stockholm**

EUROC, the Swedish building materials group, predicted that profits after financial items for 1990 would decline by 9 per cent to around SKr1bn ($173m) primarily due to weaker demand in the UK, where it jointly owns Castle Cement, and other northern European markets.

Eight-month earnings fell by 9 per cent to SKr629m, while sales climbed by 3 per cent to SKr7.4bn.

It expects sales for the year to increase by 3 per cent to SKr11.6bn.

Euroc, through its Scancem joint venture with the Norwegian concern Aker, has been strengthening its position in the European market through a series of acquisitions in the UK, Germany, Spain, Portugal and the Benelux countries.

It has also been concentrating activity on its core business of building materials, primarily cement and concrete, which now account for 98 per cent of its sales compared with 87 per cent a year ago.

Non-core businesses, with SKr522m in sales, have been sold this year.

Acquisitions, such as Euroc's 12.5 per cent stake in the Spanish cement concern Valenciana, have added SKr813m in sales.

## INTERNATIONAL APPOINTMENTS

# GPA recruits UN ambassador

GPA (formerly Guinness Peat Aviation), the Irish-based aircraft leasing group, announced that Mr Michael J. Lillis, currently Ireland's Ambassador to the United Nations in Geneva, is shortly to join the company as managing director – Latin America of its aircraft leasing division.

Mr Lillis, 44, will be based at GPA's Shannon headquarters in the Irish Republic.

He has been a Deputy Secretary since 1985 of the Irish Department of Foreign Affairs, has represented Ireland abroad in Madrid (1969-72), Washington and New York (1974-79) and Geneva (1987 to date).

He has also filled senior posts in the Commission of the European Community.

From 1985 to 1987 he was the first Irish Joint Secretary of the intergovernmental Secretariat established by the 1985 Anglo Irish Agreement.

NORCEN ENERGY Resources, of Canada, the main energy arm of the Brascan group through Noranda, has appointed Mr B.D. Cochrane as president and chief executive, effective from January 1 and concurrent with the appointment of Mr E.G. Battle as chairman.

Mr Battle is retiring as president and chief executive at the end of this year.

Mr Cochrane is at present executive vice president and chief operating officer.

Mr Paul M. Marshall, the current chairman, will become deputy chairman.

DATA GENERAL, of the US, announced a number of executive changes, including a new assignment for Mr J. Thomas West, a senior vice-president and one of the industry's leading computer designers.

The loss-troubled minicomputer maker said Mr West will head a newly created Advanced Systems Development Group, to evaluate technologies for future products.

Mr West, an 18-year Data General veteran, will continue to report to president and chief executive Mr Ronald Skates.

The company also named three new vice-presidents and reorganised several business and marketing groups, to focus on Unix-based computer systems, international sales, and the company's Aviion line of workstations and network servers.

TIME WARNER, of the US, the world's largest media conglomerate, said that Mr Donald Barr, publisher of Sports Illustrated, was named an executive vice-president of Time Inc Magazine Co.

Mr Mark Mulvoy becomes publisher of Sports Illustrated, moving from his post of managing editor.

Succeeding him as managing editor is Mr John Papanek, most recently managing editor of Sports Illustrated for Kids.

Mr Richard Angle Jr has been appointed a senior vice-president of Time Warner Publishing.

He was senior/vice-president of operations and chief administrative officer at Time Inc Magazine Co.

DG Bank (Deutsche Genossenschaftsbank), the umbrella institution for Germany's co-operative banks and now the country's fourth largest bank, said that Mr Norbert Bräuer, 43, has become general manager securities of the bank in Frankfurt.

QUADRAX elected Mr Richard Beatty to the company's board, increasing the board's size to five members. He is a senior vice-president and partner of Fleet Associates, the investment banking affiliate of Fleet/Norstar Financial Group.

NATIONAL Commercial Bank of Saudi Arabia appointed Mr Abdul Raouf Banaja as assistant general manager and deputy head of the international division of the bank in Jeddah.

THE POST of chairman at Japan Aircraft Development Corporation has been assumed by Mr Takaaki Yamada, who has succeeded Mr Yotaro Iida.

Mr Iida has retired from the position after holding it for about 2½ years, but he will remain a member of the board of directors.

Mr Yamada is executive vice-president, general manager, Aerospace and Special Vehicle Headquarters of Mitsubishi Heavy Industries, Japan's largest aerospace and defence contractor and leading shipbuilder.

GENERAL Motors Europe has appointed Mr John D. Butler, 43, as vice-president, personnel.

He has been General Director of Labor Relations on the GM industrial relations staff in Detroit, where he was a member of the bargaining team in the recently-completed GM-United Automobile Workers Union negotiations.

He succeeds Mr R. Timothy Epps, who has returned to the US to be vice-president, human resources for the Saturn Corporation, the GM subsidiary which has recently launched a new car line.

Mr Butler joined GM in 1972 and has held various management positions in labour relations and personnel administration in GM's Chevrolet and Pontiac divisions and in central office.

ALLIED IRISH BANKS has appointed Mr Kevin J. Kelly FCA as group financial director designate.He will join the bank in January 1991.

He is group chief executive of Agra, the international meat trading, production and distribution group.

He is a former managing partner of the Dublin chartered accountancy practice of Coopers & Lybrand.

He was appointed administrator of the PMPA Insurance Company at the request of the government in 1989 on the sale of the company to the Guardian Royal Exchange.

He will succeed Mr John F Keogh on his retirement in May as group financial director.

He joined the bank in 1971 as financial controller and was appointed to the board in 1986.

OLIVER RICHTER, FCPA, FCIT, has been appointed as a non-executive director of Simon Engineering (Australia).

He is deputy chairman of Brambles Industries, deputy president of the Medical Foundation The University of Sydney, a director of O'Connell Street Associates and a member of the International Advisory Council of the LEK Partnership.

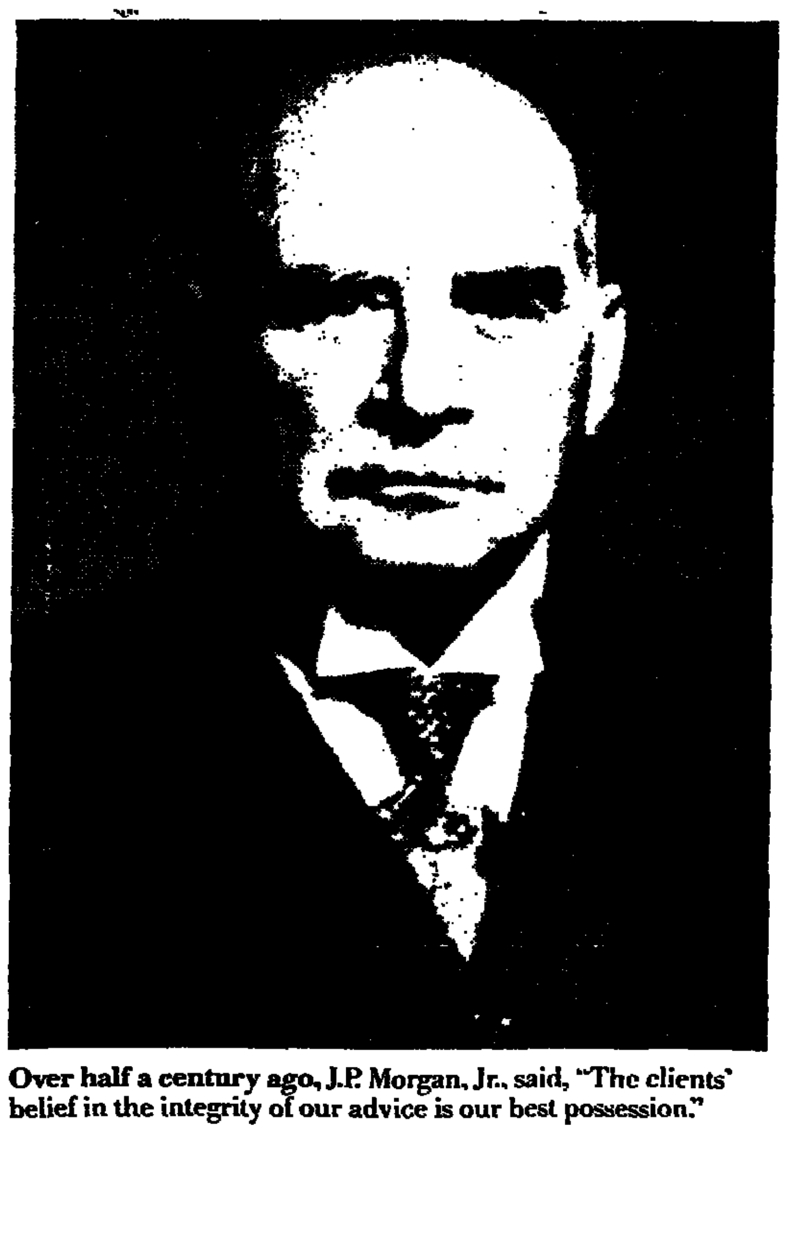
Simon Engineering (Australia is the parent company for Simon Companies in Australia which supply chemical, industrial, materials handling and minerals preparation plants: also electrical contracting services, packaging equipment and hydraulic systems.

DU PONT has named Mr David V.S. Williamson, currently vice-president, Europe, Middle East/Africa, as president, Europe. He remains chairman of Du Pont de Nemours International in Geneva.

Five executives are named as vice-president - Europe, in addition to their current responsibilities. They are; Philippe Desaulles, managing director, agricultural products (Europe) and managing director - Du Pont (France); Siegfried Humitzsch, managing director - Imaging Systems (Europe) and managing director - Du Pont (Deutschland); Gordon Jenkins, managing director - Electronics (Europe); Eduard J van Wely, managing director - polymer products and automotive products (Europe); and Siegfried K. Wittauer, managing director - Fibres (Europe).

# Why the "new" thinking in M&A isn't new to us.

Now that some highly leveraged transactions of the last decade are under scrutiny, there has suddenly been a call for a "return to the fundamentals" of "sound business principles" in M&A and of "relationship banking." At J.P. Morgan, however, we have no such need to get back to basics. We never left them. We will recommend a merger, acquisition, sale, or divestiture only when it is based on a sound analysis of true debt capacity and complements your long-term business strategy in a way that truly benefits your shareholders. For in our 150 years of experience, we've learned that placing our clients' interests before our own is the best way to be successful in the long run. For truly objective advice in M&A, turn to one firm where sound strategic thinking is never out of fashion.



Over half a century ago, J.P. Morgan, Jr., said, "The clients' belief in the integrity of our advice is our best possession."

**JPMorgan**

# FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 15,1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 99.25 | 50.8062 | 33.3613 | 39.6603 |
| Albania | (Lek) | 9.9848 | 5.1112 | 3.3562 | 3.9899 |
| Algeria | (Dinar) | 18.2465 | 9.3404 | 6.1332 | 7.2913 |
| Andorra | (Fr Fr) | 9.9675 | 5.1023 | 3.3504 | 3.9830 |
| | (Sp Peseta) | 186.60 | 95.5208 | 62.7226 | 74.5654 |
| Angola | (Kwanza) | 56.271 | 28.8052 | 18.9146 | 22.4859 |
| Antigua | (E Carr $) | 5.2690 | 2.6972 | 1.7710 | 2.1054 |
| Argentina | (Austral) | 10862.85 | 5860.7115 | 3651.3781 | 4340.7992 |
| Aruba | (Florin) | 3.4932 | 1.7881 | 1.1741 | 1.3958 |
| Australia | (Aus $) | 2.4615 | 1.2600 | 0.8273 | 0.9836 |
| Austria | (Schilling) | 20.9450 | 10.7217 | 7.0403 | 8.3696 |
| Azores | (Port Escudo) | 262.25 | 134.2462 | 88.1512 | 104.7952 |
| Bahamas | (Bahama $) | 1.9535 | 1 | 0.6566 | 0.7806 |
| Bahrain | (Dinar) | 0.7241 | 0.3706 | 0.2433 | 0.2893 |
| Balearic Is | (Sp Peseta) | 186.60 | 95.5208 | 62.7226 | 74.5654 |
| Bangladesh | (Taka) | 68.00 | 34.8093 | 22.8571 | 27.1728 |
| Barbados | (Barb $) | 3.9250 | 2.0092 | 1.3193 | 1.5684 |
| Belgium | (Belg Fr) | 61.25 | 31.3539 | 20.5882 | 24.4755 |
| Belize | (B $) | 3.903 | 1.9979 | 1.3119 | 1.5596 |
| Benin | (CFA Fr) | 498.375 | 255.1190 | 167.5210 | 199.1508 |
| Bermuda | (Bermudian $) | 1.9535 | 1 | 0.6566 | 0.7806 |
| Bhutan | (Ngultrum) | 35.00 | 17.9165 | 11.7647 | 13.9860 |
| Bolivia | (Boliviano) | 6.3814 | 3.2666 | 2.1450 | 2.5500 |
| Botswana | (Pula) | 3.61 | 1.8479 | 1.2134 | 1.4425 |
| Brazil | (Cruzado) | 178.41 | 91.3283 | 59.9697 | 71.2927 |
| Brunei | (Brunei $) | 3.3550 | 1.7174 | 1.1277 | 1.3406 |
| Bulgaria | (Lev) | 5.3664 | 2.7470 | 1.8038 | 2.1444 |
| Burkina Faso | (CFA Fr) | 498.375 | 255.1190 | 167.5210 | 199.1508 |
| Burma | (Kyat) | 11.5780 | 5.9267 | 3.8917 | 4.6265 |
| Burundi | (Burundi Fr) | 313.1755 | 160.3150 | 105.2690 | 125.1450 |
| Cambodia | (Riel) | 898.61u | 460 | 302.0537 | 359.0849 |
| Cameroon | (CFA Fr) | 498.375 | 255.1190 | 167.5210 | 199.1508 |
| Canada | (Canadian $) | 2.2540 | 1.1538 | 0.7576 | 0.9006 |
| Canary Is | (Sp Peseta) | 186.60 | 95.5208 | 62.7226 | 74.5654 |
| Cp. Verde | (CV Escudo) | 130.0284 | 66.5617 | 43.7070 | 51.9594 |
| Cayman Is | (CI $) | 1.6197 | 0.8291 | 0.5444 | 0.6472 |
| [illegible] | | | | | |
| Finland | (Markka) | 7.0195 | 3.5932 | 2.3594 | 2.8049 |
| France | (Fr) | 9.9675 | 5.1023 | 3.3504 | 3.9830 |
| Fr. Cty/Africa | (CFA Fr) | 498.375 | 255.1190 | 167.5210 | 199.1508 |
| Fr. Guiana | (Local Fr) | 9.9675 | 5.1023 | 3.3504 | 3.9830 |
| Fr. Pacific Is | (CFP Fr) | 177.00 | 90.6066 | 59.4957 | 70.7292 |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Gabon | (CFA Fr) | 498.375 | 255.1190 | 167.5210 | 199.1508 |
| Gambia | (Dalasi) | 15.4731 | 7.92[illegible] | [illegible] | [illegible] |
| Germany | (Mark) | 2.9750 | 1.52[illegible] | 1 | [illegible] |
| Ghana | (Cedi) | 662.406 | 339.[illegible] | [illegible] | [illegible] |
| Gibraltar | (Gib £) | 1.00 | 0.51[illegible] | [illegible] | [illegible] |
| Greece | (Drachma) | 298.64 | 152.[illegible] | [illegible] | [illegible] |
| Greenland | (Danish Krone) | 11.3550 | 5.81[illegible] | [illegible] | [illegible] |
| Grenada | (E Carr $) | 5.2690 | 2.697[illegible] | 1.7710 | 2.1054 |
| Guadeloupe | (Local Fr) | 9.9675 | 5.102[illegible] | 3.3504 | 3.9830 |
| Guam | (US $) | 1.9535 | 1 | 0.6566 | 0.7806 |
| Guatemala | (Quetzal) | 11.0316 | 5.64[illegible] | [illegible] | [illegible] |
| Guinea | (Fr) | 1209.93a | 619.[illegible] | [illegible] | [illegible] |
| | | 585.45n | 299.[illegible] | [illegible] | [illegible] |
| Guinea-Bissau | (Peso) | 1268.47 | 649.[illegible] | [illegible] | [illegible] |
| Guyana | (Guyanese $) | 87.02u | 45 | [illegible] | [illegible] |
| Haiti | (Gourde) | 9.7575 | 4.99[illegible] | [illegible] | [illegible] |
| Honduras | (Lempira) | 11.4218 | 5.84[illegible] | [illegible] | [illegible] |
| Hong Kong | (HK $) | 15.1310 | 7.745[illegible] | [illegible] | [illegible] |
| Hungary | (Forint) | 120.8049 | 61.84[illegible] | [illegible] | [illegible] |
| Iceland | (Icelandic Krona) | 107.70 | 55.13[illegible] | [illegible] | [illegible] |
| India | (Indian Rupee) | 35.00 | 17.91[illegible] | [illegible] | [illegible] |
| Indonesia | (Rupiah) | 3676.10 | 1881.[illegible] | [illegible] | [illegible] |
| Iran | (Rial) | 126.90 | 64.96[illegible] | [illegible] | [illegible] |
| Iraq | (Iraqi Dinar) | 0.6118 | 0.313[illegible] | [illegible] | [illegible] |
| Irish Rep | (Punt) | 1.1100 | 0.568[illegible] | [illegible] | [illegible] |
| Israel | (Shekel) | 3.93 | 2.011[illegible] | [illegible] | [illegible] |
| Italy | (Lira) | 2230.00 | 1141.[illegible] | [illegible] | [illegible] |
| Jamaica | (Jamaican $) | 15.1675 | 7.764[illegible] | [illegible] | [illegible] |
| Japan | (Yen) | 250.25 | 128.1[illegible] | [illegible] | [illegible] |
| Jordan | (Jordanian Dinar) | 1.2678 | 0.648[illegible] | [illegible] | [illegible] |
| Kenya | (Kenya Shilling) | 44.80 | 22.93[illegible] | [illegible] | [illegible] |
| Kiribati | (Australian $) | 2.4615 | 1.260[illegible] | [illegible] | [illegible] |
| Korea North | (Won) | 1.8930 | 0.969[illegible] | [illegible] | [illegible] |
| [illegible] | | | | | |
| Namibia | (S A Rand) | 4.9412 | 2.5294 | 1.6609 | 1.9745 |
| Nauru Is | (Australian $) | 2.4615 | 1.2600 | 0.8273 | 0.9836 |
| Nepal | (Nepalese Rupee) | 57.1789 | 29.2699 | 19.2197 | 22.8487 |
| Netherlands | (Guilder) | 3.3525 | 1.7161 | 1.1268 | 1.3396 |
| N'nd Antilles | (A/Guilder) | 3.4932a | 1.7900 | 1.1741 | 1.3958 |
| New Zealand | (NZ $) | 3.2060 | 1.6411 | 1.0776 | 1.2811 |
| Nicaragua | (Cordoba) | 2439375.0 | 1248720.246 | 819957.983 | 974775.225 |
| Niger Rep | (CFA Fr) | 498.375 | 255.1190 | 167.5210 | 199.1508 |
| Nigeria | (Naira) | 15.4949 | 7.9318 | 5.2083 | 6.1917 |
| Norway | (Nor. Krone) | 11.5200 | 5.8971 | 3.8722 | 4.6033 |
| Oman | (Rial Omani) | 0.7525 | 0.3852 | 0.2529 | 0.3006 |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| [illegible] | | | | | |
| Vietnam | (Dong) | 12099.3 | 6193.6524 | 4066.9915 | 4834.8851 |
| Virgin Is-British | (US $) | 1.9535 | 1 | 0.6566 | 0.7806 |
| Virgin Is-US | (US $) | 1.9535 | 1 | 0.6566 | 0.7806 |
| Western Samoa | (Tala) | 4.5447 | 2.3264 | 1.5276 | 1.8160 |
| Yemen | (Rial) | 23.5156 | 12.0376 | 7.9044 | 9.3968 |
| Yemen PDR | (Dinar) | 0.9006u | 0.4614 | 0.3027 | 0.3598 |
| Yugoslavia | (Dinar) | 20.9783 | 10.7388 | 7.0515 | 8.3829 |
| Zaire Rep | (Zaire) | 1407.00 | 720.2457 | 472.9411 | 562.2377 |
| Zambia | (Kwacha) | 76.60 | 39.2116 | 25.7478 | 30.6093 |
| Zimbabwe | ($) | 4.9045 | 2.5106 | 1.6485 | 1.9598 |

Special Drawing Rights Oct. 12, 1990 United Kingdom £0.726849 United States $1.43480 Germany West D Mark 2.18391 Japan Yen186.094 European Currency Unit Rates Oct. 15, 1990 United Kingdom £0.699222 United States $1.35352 Germany West D Mark 2.06141 Japan Yen173.318

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; § Kuwaiti Dinar unavailable. † Czech.(comm. rate) devalued by approx. 37%. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday, October 15, 1990.











# INTERNATIONAL CAPITAL MARKETS

# Weakening oil prices help lift German long bonds

By Deborah Hargreaves in London and Karen Zagor in New York

A CLEAR divergence in trading for some of the world's major bond markets was evident yesterday as a drop in the price of oil saw a switch of funds out of petro-currencies and a subsequent weakening in those government bond prices.

In Germany, the market received a boost from the oil price *fall* as it became decoupled from US Treasuries. A stronger D-Mark bolstered bund prices although foreign investors remain wary about the German market.

The election victory for the ruling Christian Democratic party in four out of five local "Länder" votes yesterday was largely discounted by the bund market. However, the stage is now set for Mr Helmut Kohl, the German chancellor, to head a coalition after national elections in December.

Foreign investors are nervous about bunds in advance of the release of key inflation data later this week. The producer price index is forecast to rise by between 0.5 and one per cent which makes the outlook on inflation seem gloomier

## GOVERNMENT BONDS

than previous figures have suggested.

In addition, the Bundesbank's policy council is due to meet on Thursday with a slightly higher chance of raising interest rates than on previous occasions. The D-Mark remains strong inside the European Monetary System and the Bank may want to *surprise* the market.

The new 9 per cent 10-year bund was fixed at 100.13 yesterday to yield 8.98 per cent following Friday's level of 99.96 with a yield of 9.01 per cent.

■ JAPANESE government bond prices were also boosted by a decline in the oil price as the yield on the benchmark 119 issue traded down to the psychological 8 per cent mark. The yield traded in a narrow range of between 8.07 and 8.02 per cent in a dull day's activity. The yen's strength could lead bond prices to break the 8 per cent level this week if the price of oil does not rise significantly. The news that Japan's trade surplus shrank in the year to date to Y6.9bn from Y7.2bn failed to have much affect on the market.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 09/92 | 102-26 | −04/32 | 11.82 | 11.62 | 12.56 |
| | | 9.000 | 03/00 | 86-01 | −13/32 | 11.46 | 11.23 | 11.80 |
| | | 9.000 | 10/08 | 84-12 | −17/32 | 11.01 | 10.81 | 11.18 |
| US TREASURY * | | 8.750 | 08/00 | 99-23 | +05/32 | 8.79 | 8.69 | 8.85 |
| | | 8.750 | 08/20 | 98-01 | +08/32 | 8.93 | 8.80 | 8.99 |
| JAPAN | No 119 | 4.800 | 6/99 | 83.3880 | +0.110 | 8.05 | 8.06 | 8.48 |
| | No 129 | 6.400 | 03/00 | 92.7952 | +0.153 | 7.72 | 7.73 | 8.07 |
| GERMANY | | 8.500 | 08/00 | 96.3000 | +0.075 | 9.06 | 9.06 | 9.02 |
| FRANCE | BTAN | 9.000 | 11/95 | 95.2934 | +0.151 | 10.22 | 10.29 | 10.29 |
| | OAT | 8.500 | 03/00 | 88.9800 | +0.440 | 10.36 | 10.44 | 10.42 |
| CANADA * | | 10.500 | 07/00 | 95.3500 | 0.100 | 11.30 | 11.17 | 10.80 |
| NETHERLANDS | | 9.000 | 10/00 | 98.6000 | +0.090 | 9.22 | 9.17 | 9.16 |
| AUSTRALIA | | 13.000 | 07/00 | 97.9820 | +0.632 | 13.37 | 13.43 | 13.47 |

London closing, *denotes New York closing
Yields: Local market standard Prices: US, UK in 32nds, others in decimal

*Technical Data/ATLAS Price Sources*

■ IN THE UK, it was a grim day for gilt-edged securities as sterling tumbled and bond investors became disillusioned over the outlook for UK inflation. Gilts prices took a hit on the news that British Telecom workers had rejected a 10 per cent pay deal.

But it was the weakness of the pound that held the market's attention for most of the day. Sterling was marked down by a full point on the Bank of England's trade-weighted index at the start of trading from a 96 close on Friday to 95. It fell lower during the day to close at *94.9*.

On the back of this, gilts lost ¾ of a point with the 11¾ per cent 2003/07 issue closing at 101⅛ to offer a yield of 11.51 per cent.

The release of retail sales data showed a bland figure that the market had been expecting and had no significant effect. The market will now be looking to Mr John Major, the chancellor of the exchequer, when he makes his Mansion House speech on Thursday, for a further indication of the UK's inflation situation.

■ US treasuries opened on a firm note yesterday morning amid falling oil prices and renewed hopes that a budget compromise might be within reach, and managed to overcome some mid-session profit-taking to end the day modestly higher.

In late trading the treasury's benchmark 30-year bond was ⅛ higher at 98⅛, yielding 8.93 per cent after slipping ⅛ earlier in the day. Shorter-dated maturities were unchanged to ⅛ point higher.

Trading was light through most of the day, in the absence of economic news and uncertainty about market conditions.

The Federal Reserve entered the open market to arrange three-day system repurchase agreement when Fed funds, the rate at which banks lend to each other, were changing hands at 8 per cent. The Fed's operation, which adds liquidity to the banking system, was widely expected.

The bond market received some support from lower oil prices, which reacted to news of *oil discoveries in Saudi Arabia*. In late trading November crude oil was quoted $1.74 lower at $37.95.

The dollar continued to soften against the yen yesterday, and in late trading was changing hands at Y127.75 compared with Y129.05 late Friday. The US currency held its own against the D-Mark and was quoted at DM1.5265, against DM1.5243 late Friday in New York.

■ THE announcement by the Australian government of a cut in the interest rate of 1 percentage point prompted a rally of 20 to 25 basis points in short-dated Australian securities. The 10-year end of the market which remains nervous about events in the Gulf rallied just 12 basis points to put its yield at 13.37 per cent – down from Friday's level of 13.5 per cent.

As the Australian dollar has weakened against the US dollar, Australian government bonds have looked cheaper to foreign investors and dealers expect a steady flow of interest over the next few days which should bring yields down.

## FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 15

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 95 | 150 | 99⅝ | 100⅛ | +⅛ | 9.01 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 100⅜ | 100⅞ | +⅛ | 9.21 |
| AUSTRIA 8 1/2 00 | 400 | 93⅛ | 93⅝ | +⅛ | 9.64 |
| BANK OF TOKYO 8 3/8 96 | 100 | 94⅛ | 95⅛ | +⅛ | 9.60 |
| BELGIUM 9 1/8 92 | 400 | 100⅝ | 101⅛ | +⅛ | 8.60 |
| BFCE 7 3/4 97 | 150 | 92¼ | 92⅞ | +⅛ | 9.40 |
| BNP 8 5/8 94 | 300 | 98⅛ | 98⅝ | +⅛ | 9.09 |
| [illegible] | | | | | |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| COUNCIL EUROPE 7 94 LFr | 600 | 91½ | 92½ | | 10.09 |
| KREDIETCORP 7 93 LFr | 1000 | 92¾ | 93¾ | | 10.06 |
| WORLD BANK 8 96 LFr | 1000 | 92¾ | 93¾ | | 9.74 |
| AMRO BANK 6 1/4 92 Fl | 150 | 94¾ | 95⅛ | | 9.56 |
| RABOBANK 5 3/4 93 Fl | 150 | 92 | 92¾ | −⅛ | 9.64 |
| ALBERTA PROVINCE 10 92 C$ | 500 | 97¼ | 97½ | +⅛ | 11.76 |
| BCE INC 9 5/8 93 C$ | 300 | 94½ | 94¾ | | 12.27 |
| [illegible] | | | | | |

[illegible]



مكتبة الأصل

## INTERNATIONAL CAPITAL MARKETS

# Italian railway makes successful franc debut

By Simon London

ON AN otherwise moribund day in the international bonds market, Ferrovie dello Stata, the Italian state railway company, made a successful debut in the French franc sector.

### INTERNATIONAL BONDS

The FFr1bn 5-year floating rate issue through Credit Commercial de France pays a spread of 2 basis points over the Paris interbank offered rate, which is currently 9⅞ per cent.

Issued at par, the bonds were trading at 100.10 bid, against full fees of 15 basis points. Syndicate members reported demand from across Europe and into the Far East, although a syndicate of 32 ensured that the spoils were thinly spread. The lead manager retained 60 per cent of the issue and was sold out by the close of trading.

The strong performance illustrates the strength of demand for a floating rate state-backed instrument in a time of economic uncertainty.

However, dealers added that the performance also demonstrates the effect of generous pricing. Last week the borrower launched two deals, one fixed and one floating-rate, into the lire sector, raising L800bn.

Both deals traded above issue price from launch, with the issuer making a name for issues at an attractive price.

Two equity warrant issues for Japanese borrowers were fixed with a coupon lower than originally indicated, following a 3.2 per cent rise in the Japanese Nikkei stock market index overnight on Monday.

Nikko Securities fixed a coupon of 4⅞ per cent, after indicating 5⅛ per cent at launch, on its $200m deal for Citizen Watch. Daiwa Europe set a 5⅛ per cent coupon on its DM75m deal for Unitika against an indicated 5¼ per cent.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Japan Leasing USA(g)★★◆ | 30 | (g) | 101⅞ | 2000 | 1⅞ | Merrill Lynch Int. |
| Citizen Watch Co.(b)‡◆ | 200 | 4⅞ | 100 | 1994 | 2¼/1½ | Nikko Secs.(Europe) |
| **D-MARKS** | | | | | | |
| Unitika(c)‡◆ | 75 | 5⅛ | 100 | 1994 | 2¼/1½ | Daiwa Europe GmbH |
| **FRENCH FRANCS** | | | | | | |
| Ente Ferrovie D'Stato(d)†◆ | 1bn | (d) | 100 | 1995 | 15/10bp | CCF |
| **YEN** | | | | | | |
| Mitsui Real Estate Devt(a)◆ | 5bn | 8½ | 101½ | 1995 | 1⅝/1⅛ | Nomura Int. |
| Mitsui Real Estate Devt(e)◆ | 5bn | 8¼ | 101¼ | 1995 | 1⅝/1⅛ | Nomura Int. |
| **LUXEMBOURG FRANCS** | | | | | | |
| Eurofima(f)◆ | 2.8bn | 9⅞ | 101¾ | 1995 | 1⅝/1.45 | BCEE |

★★Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon was indicated at 5⅛. c) Coupon was indicated at 5¼. Exercise premium is fixed at 2.58%. Non-callable. d) Coupon pays 3-month Pibor + 2bp. Callable after 3 years on any coupon payment date. e) Coupon payable semi-annually. Non-callable. f) Issue launched 9/10/90. Amount increased from Lfr1.5bn. Issue price increased from 101⅝. Non-callable. g) Fixed/FRN issue. Coupon pays 6-month Libor + 1% for first 2 years, then fixed at 10% thereafter. Callable after 2 years at par.

# Exchanges seek computer link

By Robert Gibbens in Montreal

FACED with constantly rising operating costs, the Toronto and Montreal stock exchanges are exploring ways to link their computer systems. This would ensure that investors get the best price for their orders regardless of where the trade takes place.

Pearce Bunting, TSE president, said he had made suggestions to the Montreal Exchange on how the systems might be made compatible. Bylaws and regulations would also have to be harmonised.

The exchanges are feeling the pressure as more and more leading Canadian stocks are traded in the US.

# Reliance Industries plans Rs5.7bn debenture issue

By R.C. Murthy in Bombay

Reliance Industries (RIL), India's second largest private sector company, plans to raise Rs5.7bn through a rights issue in convertible debentures.

The first jumbo issue to emerge this year, the debenture will finance a new Rs8.5bn natural gas cracker plant.

The last jumbo issue was launched in October 1989 by Usha Rectifier Corporation. After this the new issues market came to a virtual standstill. It reopened late last month with a Rs1.2bn convertible from Finolex Pipes.

The surge in world oil prices has made Reliance products competitive.

The company said all its synthetic fibre and petrochemical plants were working to full capacity and it held out a possibility of an interim dividend this year.

The rights are one convertible for every five shares and one non-convertible bond for every 20 shares.

Reliance is making the rights issue in the absence of a supplier credit, which the group hoped would at one stage go some way to financing the the new natural gas cracker.

# Belgium chooses 14 bond dealers

BELGIUM has selected 14 banks to be primary dealers on its revamped government bond market, due to be launched on January 29 1991, Reuter reports from Brussels.

According to the finance ministry they include Generale Bank, Banque Bruxelles Lambert and Kredietbank plus four Luxembourg banks.

"We need to let competition play its part and we must diversify. We want to diversify more and more the way in which the state finances itself," Mr Philippe Maystadt, the Belgian finance minister, said. "We are opening the market to a wider range of investors."

The reforms will open Treasury bill auctions to competitive bidding and reorientate the Belgian National Bank's steering of monetary policy to open-market operations, securities repurchase agreements and currency swaps.

Auctions will be held every Tuesday for three-month T-bills, raising between BFr100bn and BFr150bn a week, Mr Maystadt said.

"We hope the new system will enable us to have slightly lower rates," he said. The reform also will cut the Belgian state's credit line to the central bank to BFr15bn from BFr60bn.

Local bankers said the number of primary dealers was higher than in other countries and appeared to be a compromise between the Treasury which wanted a smaller number and the central bank which believed a larger number would guarantee more competition.

The move is the latest step in Belgium's bid to manage its debt more efficiently. At BFr7,179bn, its debt is one of the highest in Europe in terms of GNP.

Mr Maystadt said that four Luxembourg banks were chosen because they held about one-third of Belgium's T-bills. Belgium has BFr1,700bn worth of T-bills outstanding.

● The Bank of Italy said the net annual yield rose to 12.24 per cent at the auction of a L1,500bn tranche of four-year fixed rate Treasury bills (BTPs) from 12.05 per cent at the previous offer.

# Singapore seeks new business

**Joyce Quek reports on the stock exchange's revised regulations**

The move by the Stock Exchange of Singapore (SES) to allow wider access to foreign brokers, including 100 per cent foreign ownership of local brokerages, and to clear the way for more regional stockbroking partnerships may be the shape of things to come.

It was perhaps significant that Mr Richard Hu, Singapore's finance minister, announced the new regulations at a seminar in Tokyo. In effect, he was responding to an array of international pressures but Japan's growing interest in Singapore was not the least of them.

By making Singapore more attractive to foreign groups, Mr Hu is hoping to boost liquidity and trading volume and achieve Singapore's long-term ambition of being the main Asian centre for trading regional and international shares.

The moves fit in with the government's plans to liberalise Singapore's financial services industry, and they follow increasing liberalisation of rival Asian markets, particularly those in Japan. The Singapore authorities, having established Clob International, the over-the-counter market offering regional stocks, are keenly aware of the need to keep the momentum going.

The SES insists that new members contribute towards the growth of the market for regional stocks. It is also reviewing the listing of Japanese stocks on Clob to enable an extra 90 minutes of trading after the Tokyo market closes.

The SES is determined to attract additional Japanese business. Yen-related transactions already account for 30 per cent of Singapore's foreign exchange turnover and Simex's Nikkei futures contract represents almost 9 per cent of futures volume on the Osaka stock exchange.

Daily trading volume this year has fallen from 170m shares to around 20m

According to Mr Hitoshi Imuta, president of Nomura Singapore, Japanese securities firms presently account for more than 20 per cent of SES trading volume. Some foreign securities houses, notably Nomura and Daiwa, have been taking on extra staff and office space in Singapore.

The new membership rules come at a troubled time for the SES. Trading volume has slumped to a daily trading volume of around 20m shares. In January this year trading volume was running at more than 170m shares a day. Singapore's main equity index is close to a third below its July peaks.

There will be four new categories of stock exchange membership. The first comprises mostly local ownership in brokerages. The second comprises joint ventures between local and foreign firms approved before this month. The exchange will continue its current policy on foreign-owned joint ventures but henceforth foreign participation will be limited to a maximum 49 per cent.

For the third category, joint venture proposals from regional securities firms will be preferred to encourage closer co-operation between SES and other regional markets.

The fourth category comprises International Members. This has been created for the international brokerages, especially Japan's Big Four securities houses.

Due to their corporate culture and desire for full management control, they would want 100 per cent ownership of the SES companies (as required by Japanese laws for their firms overseas) and to deal mainly in SES securities with non-residents. International Members may be wholly-owned by major foreign securities houses. They can transact any amount of business for non-Singapore residents on the SES main board, the second-tier SESDAQ market, and Clob International. They can still deal for Singapore residents provided each transaction is above S$5m.

As yet there are no details about the cost of international membership but sums of between S$5m and S$10m are being widely spoken of in stock market circles. The cost now of an exchange seat is S$3.5m.

# Supervision by state bank

THE Netherlands requires any investment institutions either in the country, or approaching investors from outside, to have Dutch central bank authorisation, Reuter reports from Amsterdam.

Under the Supervision of Investment Institutions Act, which came into force yesterday, the bank has supervisory powers to protect investors, and implements the EC directive on collective investment in transferable securities.

In order to be authorised, an institution must have trustworthy and expert directors, sufficient financial resources and give the investor enough information to assess the risks he or she undertakes, the bank said in a statement.

The current supervision, by the Finance Ministry, is restricted to unit trusts, with almost no restriction for other institutions offering investment services to the public.

The new rules cover investment institutions based in the Netherlands and abroad.

# New service for investors

By Barbara Durr in Chicago

THE former chief of Elders Futures, Mr Gene Donney, has formed a new private research and portfolio management company called Pegasus Econometrics.

Mr Donney's strategy with the new company is to concentrate on services to investors such as market intelligence and analysis rather than trade execution and clearing, which he says are "being sold for next to nothing".

Heavy competition in trade execution and clearing have knocked down commission rates in recent years. These services no longer have premium value, Mr Donney said.

Joining him in Pegasus are Mr Peter Beutel, formerly vice-president of Merrill Lynch's energy futures group, and Mr John Marchese, a fixed-income and portfolio adviser.

Elders Futures was sold last May by Elders IXL.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES



| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Mon Oct 15 1990 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Fri Oct 12 Index No. | Thu Oct 11 Index No. | Wed Oct 10 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (196) | 712.99 | +0.4 | 15.58 | 6.66 | 7.85 | 31.33 | 710.48 | 708.45 | 710.14 | 853.32 |
| 2 | Building Materials (26) | 969.29 | +0.4 | 15.13 | 6.29 | 8.13 | 39.70 | 965.19 | 973.04 | 972.83 | 986.77 |
| 3 | Contracting, Construction (35) | 1161.97 | +0.2 | 17.52 | 6.86 | 7.45 | 56.07 | 1160.22 | 1156.91 | 1152.71 | 1340.61 |
| 4 | Electricals (10) | 1901.39 | +1.2 | 14.79 | 7.08 | 8.27 | 84.91 | 1879.75 | 1887.63 | 1921.38 | 2483.21 |
| 5 | Electronics (26) | 1562.51 | +1.2 | 10.75 | 5.48 | 12.71 | 56.74 | 1543.70 | 1556.63 | 1558.19 | 1916.79 |
| 6 | Engineering-Aerospace (8) | 406.97 | ....... | 16.56 | 5.93 | 7.26 | 15.17 | 407.04 | 405.80 | 409.58 | 0.00 |
| 7 | Engineering-General (47) | 364.99 | -0.2 | 16.42 | 7.11 | 7.32 | 16.85 | 365.56 | 367.26 | 369.71 | 0.00 |
| 8 | Metals and Metal Forming (8) | 407.05 | +0.3 | 27.99 | 8.20 | 4.35 | 17.02 | 405.98 | 407.09 | 407.53 | 442.20 |
| 9 | Motors (13) | 275.03 | ....... | 18.58 | 8.63 | 6.26 | 14.41 | 274.87 | 270.42 | 267.60 | 340.66 |
| 10 | Other Industrial Materials (23) | 1191.92 | +0.1 | 14.13 | 6.84 | 8.18 | 60.14 | 1191.10 | 1164.02 | 1168.83 | 1609.16 |
| 21 | CONSUMER GROUP (176) | 1194.94 | +0.5 | 10.34 | 4.33 | 11.94 | 30.57 | 1189.31 | 1188.28 | 1197.04 | 1219.50 |
| 22 | Brewers and Distillers (22) | 1487.78 | +0.3 | 10.51 | 3.97 | 11.52 | 33.61 | 1483.23 | 1476.63 | 1487.77 | 1405.09 |
| 25 | Food Manufacturing (18) | 1014.18 | +0.2 | 11.44 | 4.81 | 10.77 | 28.13 | 1012.28 | 1007.32 | 1007.27 | 1085.54 |
| 26 | Food Retailing (17) | 2350.33 | +0.2 | 10.15 | 3.55 | 12.54 | 50.82 | 2346.45 | 2352.61 | 2365.31 | 2292.84 |
| 27 | Health and Household (16) | 2396.91 | +0.8 | 7.38 | 3.10 | 16.02 | 48.83 | 2377.35 | 2370.19 | 2417.17 | 2381.62 |
| 29 | Leisure (32) | 1208.15 | +0.2 | 12.40 | 5.37 | 9.76 | 39.79 | 1205.90 | 1207.33 | 1210.88 | 1563.17 |
| 31 | Packaging & Paper (12) | 486.53 | +0.1 | 13.23 | 7.15 | 9.28 | 22.95 | 486.17 | 486.38 | 485.54 | 512.34 |
| 32 | Publishing & Printing (14) | 2792.31 | +1.0 | 12.85 | 6.70 | 9.74 | 124.64 | 2764.54 | 2819.63 | 2845.42 | 3349.25 |
| 34 | Stores (33) | 810.83 | +0.7 | 10.87 | 4.59 | 11.97 | 18.58 | 805.18 | 804.31 | 805.88 | 745.15 |
| 35 | Textiles (12) | 408.65 | +0.3 | 14.61 | 8.69 | 8.68 | 20.31 | 407.25 | 409.32 | 405.95 | 506.13 |
| 40 | OTHER GROUPS (107) | 976.43 | +0.3 | 12.95 | 6.01 | 9.36 | 32.00 | 973.55 | 973.52 | 979.67 | 1097.32 |
| 41 | Agencies (16) | 1042.80 | +2.4 | 10.41 | 3.19 | 11.65 | 22.25 | 1017.96 | 1011.52 | 1040.19 | 1440.99 |
| 42 | Chemicals (24) | 1000.56 | +1.1 | 13.28 | 6.66 | 8.90 | 46.81 | 989.93 | 988.66 | 992.92 | 1188.11 |
| 43 | Conglomerates (15) | 1327.58 | +1.2 | 12.79 | 7.54 | 9.42 | 38.45 | 1311.91 | 1308.59 | 1318.34 | 1559.38 |
| 44 | Transport (14) | 1882.29 | -0.1 | 12.90 | 5.57 | 9.81 | 65.20 | 1883.42 | 1889.14 | 1891.61 | 2083.60 |
| 46 | Telephone Networks(3) | 1084.94 | -0.2 | 12.06 | 5.04 | 10.79 | 26.09 | 1087.20 | 1083.90 | 1099.88 | 1097.81 |
| 47 | Water(10) | 1935.04 | -1.5 | 15.73 | 7.00 | 7.16 | 68.12 | 1964.67 | 1958.76 | 1944.39 | 0.00 |
| 48 | Miscellaneous (25) | 1488.53 | -0.4 | 14.07 | 6.05 | 8.16 | 61.49 | 1494.06 | 1511.31 | 1502.13 | 1782.29 |
| 49 | INDUSTRIAL GROUP (479) | 1011.00 | +0.4 | 12.30 | 5.36 | 9.96 | 32.22 | 1007.05 | 1006.00 | 1011.98 | 1103.72 |
| 51 | Oil & Gas (21) | 2347.13 | -1.2 | 9.53 | 5.32 | 13.70 | 85.44 | 2376.76 | 2398.58 | 2415.13 | 2136.27 |
| 59 | 500 SHARE INDEX (500) | 1120.23 | +0.1 | 11.86 | 5.35 | 10.41 | 36.51 | 1118.78 | 1119.44 | 1126.27 | 1190.37 |
| 61 | FINANCIAL GROUP (103) | 691.59 | ....... | – | 6.87 | – | 31.79 | 691.19 | 691.42 | 700.54 | 732.36 |
| 62 | Banks (9) | 736.93 | +0.5 | 22.21 | 7.82 | 5.90 | 42.00 | 733.09 | 738.85 | 749.10 | 749.04 |
| 65 | Insurance (Life) (7) | 1318.71 | +0.5 | – | 5.82 | – | 54.97 | 1311.69 | 1318.84 | 1360.39 | 1187.05 |
| 66 | Insurance (Composite) (6) | 599.52 | -1.1 | – | 7.08 | – | 27.35 | 606.33 | 604.34 | 616.87 | 626.95 |
| 67 | Insurance (Brokers) (8) | 789.70 | +0.3 | 9.56 | 8.13 | 13.67 | 41.94 | 787.35 | 793.76 | 784.91 | 967.34 |
| 68 | Merchant Banks (7) | 349.90 | -1.4 | – | 5.85 | – | 12.75 | 354.73 | 356.75 | 358.00 | 369.14 |
| 69 | Property (45) | 927.65 | +0.1 | 8.14 | 5.25 | 16.22 | 25.08 | 926.43 | 908.61 | 907.74 | 1130.79 |
| 70 | Other Financial (21) | 245.55 | ....... | 11.52 | 7.11 | 11.26 | 11.62 | 245.60 | 245.69 | 246.65 | 304.56 |
| 71 | Investment Trusts (66) | 988.23 | +0.3 | – | 4.00 | – | 25.03 | 985.15 | 985.40 | 991.19 | 1143.90 |
| 91 | Overseas Traders (5) | 1129.13 | ....... | 12.67 | 8.17 | 9.40 | 59.65 | 1129.11 | 1154.03 | 1163.20 | 1264.35 |
| 99 | ALL-SHARE INDEX (674) | 1014.56 | +0.1 | – | 5.55 | – | 34.93 | 1013.31 | 1013.99 | 1021.20 | 1078.89 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Oct 12 | Oct 11 | Oct 10 | Oct 9 | Oct 8 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2101.9 | +1.5 | 2125.6 | 2100.6 | 2100.4 | 2102.2 | 2121.8 | 2134.1 | 2201.6 | 2163.4 |

### FIXED INTEREST

| | PRICE INDICES | Mon Oct 15 | Day's change % | Fri Oct 12 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years | 117.78 | -0.12 | 117.92 | – | 9.97 |
| 2 | 5-15 years | 121.96 | -0.32 | 123.30 | 0.94 | 11.62 |
| 3 | Over 15 years | 123.10 | -0.56 | 123.79 | – | 9.84 |
| 4 | Irredeemables | 142.08 | -0.36 | 142.60 | – | 8.85 |
| 5 | All stocks | 122.54 | -0.27 | 123.39 | 0.52 | 10.99 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years | 154.12 | ....... | 154.11 | – | 3.04 |
| 7 | Over 5 years | 137.74 | -0.14 | 138.27 | 0.34 | 3.45 |
| 8 | All stocks | 138.86 | -0.13 | 139.35 | 0.31 | 3.42 |
| 9 | Debentures & Loans | 101.88 | +0.01 | 101.87 | – | 9.20 |
| 10 | Preference | 73.07 | +0.12 | 72.99 | – | 5.33 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Mon Oct 15 | Fri Oct 12 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 10.71 | 10.79 | 10.16 |
| 2 | Coupons | 15 years | 10.90 | 10.79 | 9.49 |
| 3 | | 25 years | 10.90 | 10.79 | 9.34 |
| 4 | Medium | 5 years | 11.59 | 11.52 | 10.86 |
| 5 | Coupons | 15 years | 11.34 | 11.27 | 9.820 |
| 6 | | 25 years | 11.18 | 11.12 | 9.45 |
| 7 | High | 5 years | 11.69 | 11.62 | 10.98 |
| 8 | Coupons | 15 years | 11.56 | 11.49 | 10.04 |
| 9 | | 25 years | 11.45 | 11.39 | 9.62 |
| 10 | Irredeemables† | | 11.01 | 10.96 | 9.40 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 4.23 | 4.22 | 3.82 |
| 12 | Inflation rate 5% | Over 5 yrs. | 4.40 | 4.39 | 3.64 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 2.93 | 2.92 | 2.92 |
| 14 | Inflation rate 10% | Over 5 yrs. | 4.20 | 4.19 | 3.46 |
| 15 | Debs & | 5 years | 13.43 | 14.23 | 13.15 |
| 16 | Loans | 15 years | 12.80 | 12.76 | 12.10 |
| 17 | | 25 years | 12.42 | 12.35 | 11.63 |
| 18 | Preference† | | 12.97 | 12.98 | 10.55 |

‡Opening index 2105.1; 9 am 2112.1; 10 am 2115.7; 11 am 2122.3; Noon 2125.2; 1 pm 2121.2; 2 pm 2120.7; 2.30 pm 2123.2; 3 pm 2119.6; 4.10 pm 2102.6; (a) 11.40am (b) 3.53pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGE: Name change (9/10/90): Willis Faber (67) is now Willis Corroon.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 3 | 77 | 13 |
| Corporations, Dominion and Foreign Bonds | 0 | 6 | 15 |
| Industrials | 340 | 254 | 966 |
| Financial and Properties | 163 | 117 | 461 |
| Oils | 14 | 43 | 32 |
| Plantations | 2 | 0 | 8 |
| Mines | 20 | 63 | 72 |
| Others | 79 | 42 | 95 |
| Totals | 621 | 602 | 1,662 |

### LONDON RECENT ISSUES

**EQUITIES**

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1990 High | 1990 Low | Stock | Closing Price p | + or - | Net Div. | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| – | F.P. | – | 131 | 90 | ABI Leisure 10p | 98 | | R4.7 | 3.3 | 6.4 | 6.4 |
| 180 | F.P. | – | 198 | 170 | Faber Prest | 175 | | 9.1 | 3.7 | 6.9 | 5.2 |
| 2 | F.P. | – | 4½ | 3 | Flatan Group 1p | 3½ | | – | – | – | – |
| † | F.P. | – | 75 | 43 | Golden Vale Ir1p | 45 | | Q0158% | 5.1 | 3.3 | 8.2 |
| – | F.P. | – | 24 | 19 | JF Fledgeling Jap. Wts1c | 19 | | – | – | – | – |
| 100 | F.P. | – | 98 | 75 | Jupiter Euro Inv Trust | 75 | | – | – | – | – |
| – | F.P. | – | 38 | 21 | Do. Warrants | 23 | | – | – | – | – |
| $108 | F.P. | – | 116 | 101 | ‡Levercrest 5p | 102 | | R4.05 | 2.4 | 5.3 | 8.2 |
| – | F.P. | – | 22 | 20 | ‡MMI 1p | 22 | | t1.0 | 2.4 | 6.1 | 8.5 |
| † | F.P. | – | 17 | 10½ | ‡Paramount 2½p | 10½ | | – | – | – | – |
| † | F.P. | – | 53 | 38 | ‡Pelican 20p | 38 | -3 | – | – | – | – |
| 100 | F.P. | – | 90 | 83 | River & Merc Smaller Co | 89 | | K3.75 | – | 5.6 | – |
| – | F.P. | – | 26 | 18 | Do. Warrants | 23 | | – | – | – | – |
| $100 | F.P. | – | 102 | 88 | Slam Select. Growth Tst. | 89 | | – | – | – | – |
| – | F.P. | – | 38 | 28 | Do. Warrants | 29 | | – | – | – | – |
| $100 | F.P. | – | 96 | 93 | Smaller Co's Inv Tst 50p | 93 | | – | – | – | – |
| – | F.P. | – | 23 | 21 | Do. Warrants | 21 | | – | – | – | – |
| 225 | F.P. | – | 245 | 208 | ‡Standard Platform 10p | 218 | -2 | – | – | – | – |
| 100 | F.P. | – | 102 | 93 | TR European Growth Tst | 93 | | K1.0 | – | 1.4 | – |
| 40 | F.P. | – | 43 | 38 | Do. Ptg. Sub. 1p | 41 | | F1.0 | – | 3.3 | – |

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

[illegible] ... cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ‡ Issued in connection with reorganisation, merger or takeover.

### TRADITIONAL OPTIONS

- First Dealings Oct. 15
- Last Dealings Oct. 26
- Last Declarations Jan. 24
- For settlement Feb. 4

*For rate indications see end of London Share Service*

Calls in Brent Walker, Gaelic Res., STC, Business Technology, Pentland, Tusker Res., T. Cowie, Davy Corp., Ford Sellar Morris Props., Rosehaugh, Whitegate Leis. and Next. Puts and calls in Brent Walker, Ford Sellar Morris Props., Tusker Res. and Vaal Reefs.

### LONDON TRADED OPTIONS

THE EQUITY futures market saw its early gains wiped out following a sudden fall on Wall Street, while turnover in traded options was boosted by technical activity in BP and bid speculation in STC.

Stock futures began strongly on interest from two US houses, believed to be buying for a US institution. Prices continued to move ahead as bid speculation in STC surfaced. The market rally prompted at least three UK securities houses to sell futures and buy stock. These investments, known as basket trades, accounted for around 18m of the day's turnover in shares.

However, a decline on Wall Street by IBM shares triggered a wave of selling, which dragged the futures market down from its highs.

The December FT-SE 100 index finished at 2,161, up 4 points on the day. December's premium over the cash index closed at 59 points, little changed on the day. Brokers estimate that the December contract should stand at approximately 45 points over the cash index to take account of future dividend payments and the cost of finance.

In traded options, dealing was more subdued, reflecting the lower level of activity on the stockmarket. A total of 32,776 contracts changed hands, of which 20,784 were calls and 11,992 were puts.

BP was the busiest stock option, trading 5,832 lots. A UK merchant bank with a short position was said to have bought back 3,500 January 390 calls.

STC was next on the list, boosted by bid talk. Speculators bought January calls. Another popular trade was the sale of April 280 calls and puts. There was also some closing out of expiring October positions.

Rolls-Royce traded 1,610, most of which was just between marketmakers. Land Securities was lifted by the purchase of 500 January 550 calls, while another investor bought 600 Asda October 120 calls.

| Option | | Calls Oct | Calls Jan | Calls Apr | Puts Oct | Puts Jan | Puts Apr |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*466) | 420 | 48 | 62 | 78 | 1 | 7½ | 13 |
| | 460 | 12 | 34 | 50 | 5 | 20 | 25 |
| | 500 | 2 | 17 | 32 | 37 | 43 | 47 |
| ASDA (*129) | 110 | 19½ | 26 | 30 | 1 | 3 | 4½ |
| | 120 | 9½ | 18 | 22 | 1 | 5½ | 10 |
| | 130 | 2 | 13 | 16 | 4 | 12 | 14 |
| Brit. Airways (*137) | 130 | – | 18 | 23 | – | 8 | 12 |
| | 140 | 4 | 11 | 15 | 7 | 14 | 16 |
| | 160 | 1 | 6 | 10 | 25 | 27 | 30 |
| SmKl Beecham A (*569) | 500 | 73 | 88 | 102 | 1 | 8 | 13 |
| [illegible] | | | | | | | |

| Option | | Calls Oct | Calls Jan | Calls Apr | Puts Oct | Puts Jan | Puts Apr |
|---|---|---|---|---|---|---|---|
| Trafalgar (*208) | 180 | 30 | 43 | 45 | 1½ | 8 | 11 |
| | 200 | 15 | 22 | 30 | 2 | 18 | 22 |
| | 220 | 4 | 13 | 23 | 17 | 28 | 35 |
| Utd. Biscuits (*315) | 300 | 16 | 32 | 40 | 1½ | 9 | 14 |
| | 330 | 1 | 16 | 24 | 18 | 24 | 28 |
| | 360 | 1 | 6½ | 12 | 48 | 48 | 48 |
| Unilever (*657) | 600 | 60 | 82 | 102 | 2 | 15 | 20 |
| | 650 | 12 | 52 | 68 | 7 | 30 | 40 |
| | 700 | 1½ | 26 | 44 | 47 | 52 | 55 |
| Ultramar (*336) | 300 | 40 | 52 | 60 | 1 | 5 | 10 |
| | 330 | 10 | 30 | 42 | 3 | 15 | 20 |
| [illegible] | | | | | | | |

| Option | | Calls Dec | Calls Mar | Calls Jun | Puts Dec | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|---|
| Abbey Nat. (*227) | 220 | 19 | 26 | 34 | 8 | 13 | 17 |
| | 240 | 8 | 15 | 20 | 15 | 19 | 23 |
| Amstrad (*65) | 60 | 8 | 11 | 14½ | 4½ | 7 | 8½ |
| | 70 | 4 | 7 | 10 | 10 | 12 | 13 |
| Barclays (*354) | 330 | 45 | 60 | 65 | 11 | 23 | 27 |
| | 357 | 28 | – | – | 21 | – | – |
| Blue Circle (*219) | 200 | 28 | 39 | 42 | 4½ | 9 | 14 |
| | 220 | 17 | 26 | 29 | 14 | 18 | 23 |
| British Gas (*223) | 220 | 13½ | 20 | 29 | 6 | 11 | 12 |
| | 240 | 6 | 11½ | 18 | 16½ | 20 | 22 |
| Dixons | 140 | 14 | 18 | 21 | 6 | 21 | 13 |
| [illegible] | | | | | | | |

## UK COMPANY NEWS

# Video rental collapse hits Castle shares

By Richard Gourlay

SHARES IN Castle Communications, the USM-quoted record and video company, shed 75p to 208p yesterday after unexpectedly announcing the collapse of its video rental business. It made an exceptional provision of £504,000.

In the year to June 30 there was a further provision of £301,000 taken above the line against losses arising from the collapse of Parkfield, the entertainment group. Castle was forced to repurchase its video labels to prevent Parkfield's administrators dumping them on the market.

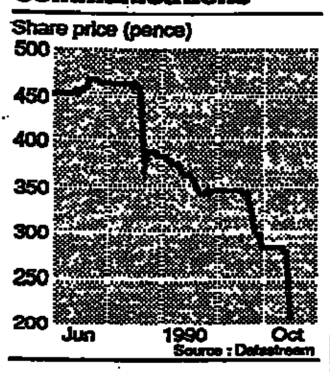
In July, the group warned it could lose up to £500,000 as a result of the Parkfield collapse.

Pre-tax profits rose 5 per cent to £1.9m on turnover up 63 per cent at £34.17m. The interest charge more than doubled to £967,000 with gearing of 54 per cent at year end, against 40 per cent a year earlier, in spite of a 2-for-9 rights issue in April which raised £4.3m.

Earnings per share fell from 27.9p to 20.7p but the board is recommending a final dividend of 4.5p which leaves the total dividend for the year unchanged at 8.5p.

Schroder Securities, brokers to Castle, said the video rental business "had hit a brick wall in the middle of the year" when demand for rented videos collapsed. The company had commissioned a number of titles and was committed to take others when demand fell.

**Castle Communications**




Castle had hoped the downturn was only due to the hot summer weather. By the time the company realised the size of the problem it was too late to warn the market of the exceptional loss resulting from the review of the UK rental market, Schroders said.

The proceeds of the rights issue were used to buy further rights for music in line with a policy of acquisition and marketing of media rights. Castle said the group's audio activities had grown substantially with the help of international licensing and that new subsidiaries had been set up in Australia, Germany and Switzerland for the sale of music and video labels.

The group said its short-term strategy would be to concentrate on the core businesses of audio products and video sales, particularly music videos.

# Tay Homes advances to £8.5m

TAY HOMES, the Leeds-based housebuilder, increased its turnover significantly and its pre-tax profit marginally in the year ended June 30 1990.

From 943 (795) units sold at an average £71,500 (£65,600), turnover in the year advanced to £67.4m (£52.2m), while the pre-tax profit moved up to £8.5m (£8.33m) after interest charges of £2.33m (£1.44m).

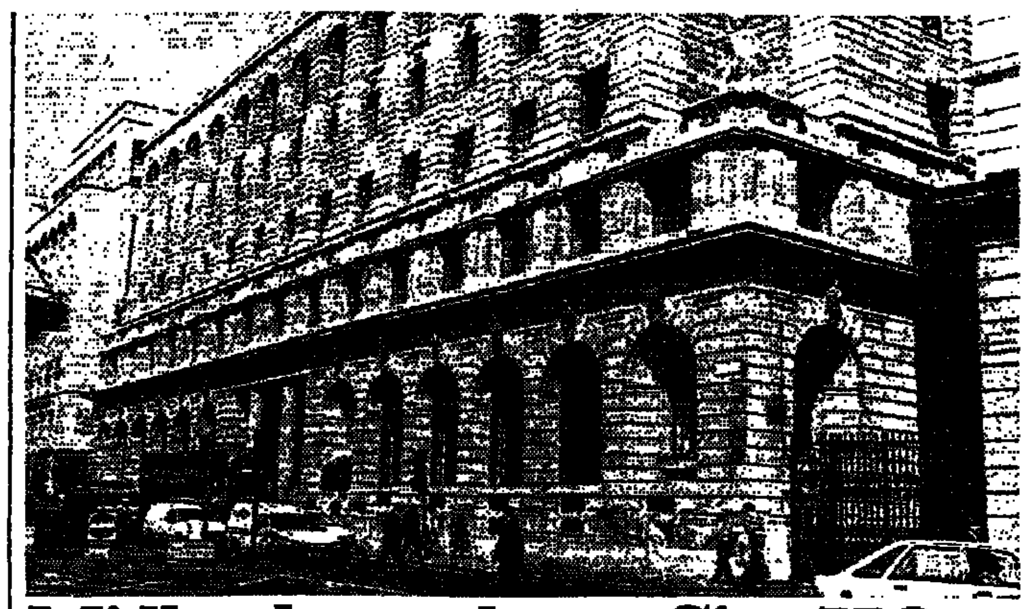
That was achieved in the worst housing market for decades in many parts of the country, said Mr Trevor Spencer, the chairman. However, northern housebuilders now were experiencing a slowdown, and group current year sales were behind 1989.

The group's companies operating in the north and Scotland accounted for 85 per cent of turnover, with the south west and Midlands responsible for the remainder.

Earnings were 26p (25.2p). The dividend is raised to 4.8p (4p) with a final of 3.6p.

Mainly by acquisition of two sites in Scotland, the land bank was increased to about 4,600 plots. But it was intended to sell some 1,300.

Mr Spencer considered the balance between land and group borrowings to be at a "sensible level", with 53 per cent gearing and interest charges 4.7 times covered by trading profit.



# Midland may lease City HQ

By David Lascelles, Banking Editor

MIDLAND BANK is considering leasing out part or all of its headquarters in the City of London.

The clearing bank's board said yesterday that it had "received serious expressions of interest", but it denied that the building had been placed on the market.

Midland occupies a prime site in Poultry next to the Bank of England in the heart of the City.

The 60-year-old Lutyens-designed building (pictured above) has six floors and three basements, and recently underwent interior redecoration.

Midland said the move would be consistent with its previously declared strategy of raising efficiency by reducing head office staff numbers and centralising processing centres.

By 1992, the number of buildings which the bank occupies in the City will have been reduced from 21 to 10.

Sir Kit McMahon, Midland's chairman, said at the time of the interim results in August that the bank would be looking at ways of making the best use of the properties it had.

A bank spokesman declined to comment on reports that a possible occupant might be the newly-constituted European Bank for Reconstruction and Development.

A lease would enable Midland to generate extra income at a time when its costs are by far the highest among the clearing banks.

Its poor profitability has also increased the likelihood that it will have to postpone its planned merger with the Hongkong and Shanghai Bank at the end of this year.

See Lex

# GP-Inveresk goes to management in £31m buy-out

By James Buxton, Scottish Correspondent

GP-INVERESK, a maker of fine paper based in Scotland, has been acquired by management from its US parent, the paper group Georgia-Pacific, for £31m. The buy-out is being financed by two arms of Morgan Grenfell.

The disposal of Inveresk is part of a series of sales of non-strategic assets by Georgia-Pacific following its $3.8bn takeover of Great Northern Nekoosa, another US paper group, in March this year, a deal which created the world's largest forest products group.

Inveresk, as the company will now be known, makes products for specialised markets such as coated board and artists' watercolour paper at three mills in Scotland and one at Wells, Somerset. It exports about 30 per cent of its output to the continent, the US and the Far East and has sales of about £100m a year.

Georgia-Pacific acquired Inveresk in 1981. Until the takeover of Nekoosa it had seen Inveresk as a useful bridgehead in Europe and an outlet for its pulp.

Georgia-Pacific told Inveresk's management in April that it wished to sell. In July Georgia-Pacific reported sharply lower second quarter earnings because of higher interest costs to service the borrowing as a result of the takeover. Debt at the end of March stood at $7.69bn.

Inveresk employs 930 people and is based at Inverkeithing, Fife. The management team is led by its managing director, Mr Stefan Kay. It was given a first chance to buy the company.

The equity component of the buyout, which involves funds totalling £40m, including capital expenditure, is provided by Morgan Grenfell Development Capital, the development capital arm of Morgan Grenfell, from its recently formed £145m buy-out fund.

The debt component was provided by Morgan Grenfell and Co, the banking arm of Morgan Grenfell.

Mr Andy Macfie, of Morgan Grenfell Development Capital, said the deal was conservatively structured. His company would sell on a small proportion of its equity stake in Inveresk but envisaged retaining a majority of the shares for some time. He would not disclose the proportions of equity and debt and the size of the stake held by management.

# Rank acquires over 90% of Mecca's convertible

By Jane Fuller

RANK ORGANISATION, which created the UK's largest leisure group with its £490m takeover of Mecca Leisure this summer, has gained just enough acceptances from the holders of Mecca's convertible preference shares to be able to acquire the rest compulsorily.

By Saturday's closing date the acceptances had reached 90.3 per cent.

Rank offered three of its 8.25 per cent preference shares for every four of Mecca's 7.25 per cent units. At the time of the offer, Rank said that although this represented a decreased annual dividend, "shareholders should consider the fact that Rank's dividends have increased consistently over the last five years and there may be some doubt as to the maintenance of Mecca's dividends."

When Mecca announced an interim pre-tax loss of £42.2m on September 25, the preference dividend was passed. About 15 per cent of the 304m preference shares were then outstanding.

Mr Michael Gifford, Rank's chief executive, said it was made clear in the offer that those who accepted would not be entitled to the preference dividend. As none was proposed and as all the shares would now be bought, the holders were being treated equally.

If a minority had remained, the Mecca board would have had to decide each year whether to pay the preference dividend. He said this would not have been a difficulty as Mecca's annual accounts would continue to be produced, as happened with all Rank subsidiaries, some of which still had preference shareholders.

# Warning of loss chops EFG share price by 50%

By Nigel Clark

EFG, formerly Economic Forestry Group, is expected to report a small loss for the year to September 30, compared with a taxable profit of £2.01m, which included £628,000 from sale of property and investments.

The USM-quoted company, which has been expanding into home and leisure products, blamed a fall in investment interest in forestry and pressures on consumer spending. Directors added that the summer dought had caused stock losses at one of its nurseries.

The tree surgery business in the south east of England had been unprofitable and EFG is withdrawing from this activity.

The shares lost 13p to close at 25p, having been 90p at one stage this year.

At the time of announcing the half year results the directors had said that commercial forestry was facing difficulties. However the decline had been more sharp than expected.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Amer Distrib § ........int | nil | - | 1.125 | - | 3 |
| Castle Comms § ......fin | 4.5 | Jan 15 | 5 | 8.5 | 8.5 |
| Highland Dist ...........fin | 3.6 | Jan 10 | 2.9 | 4.8 | 3.85 |
| Quadrant Gp ............int | 1.65 | Jan 18 | 1.5 | - | 3.85 |
| Roskel § ....................int | 1.3† | - | 1.3 | - | 4.3 |
| Synapse § .................fin | 3.375 | Nov 23 | 3.7 | 3.375 | 3.7 |
| Tay Homes ...............fin | 3.6 | Nov 27 | 3 | 4.8 | 4 |
| Warnford Invts .........int | 2.5 | - | 2.5 | - | 6.5 |
| West Inds ..................fin | nil | - | 0.75 | nil | 1 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

# SD-Scicon

SD-Scicon has acquired a controlling interest in Charbonnage de France Informatique. Its French offshoot will subscribe for 280,000 new shares, 51 per cent of the enlarged equity, for FFr35m (£3.5m) with options in the next five years to acquire the remaining shares.



## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglo Pacific Res., Atlas Converting Equipment, Baris, Bisichi Mining, Elswick, London & Assoc. Inv. Trust, Midland & Scottish Resources, Next, Tudor.

Finals- Altwoods, River & Mercantile Extra Income Trust, St. Ives.

FUTURE DATES

| | |
|---|---|
| Interims- | |
| ASB Barnett Kinnings | Oct. 18 |
| Aberfoyle | Oct. 26 |
| Beradin | Oct. 19 |
| Chesterfield Props. | Oct. 18 |
| Clayton, Son | Oct. 26 |
| Cook (William) | Nov. 5 |
| Elliot (B.) | Oct. 26 |
| FR | Oct. 23 |
| Ferguson Intl. | Oct. 25 |
| GEI Intl. | Nov. 6 |
| Jackson Group | Oct. 30 |
| Jarvis | Oct. 18 |
| Padang Senang | Oct. 19 |
| RIT Capital Partners | Oct. 26 |
| Singapore Para Rubber | Oct. 19 |
| Warner Howard | Nov. 7 |
| Finals- | |
| Allied London Props. | Oct. 22 |
| Fenner | Oct. 31 |
| Gowett Strategic Inv. Tst. | Oct. 25 |
| Kalamazoo | Nov. 1 |
| Maledie Invs. | Oct. 25 |
| Whinney Mackay-Lewis | Oct. 19 |

## UK COMPANY NEWS

# Listing details of Brent Walker issue are delayed

By Maggie Urry

LISTING particulars for the Brent Walker issue of convertible capital bonds may not be published for another week, it emerged yesterday.

Brent Walker's shares fell 3p to 89p, well below the 140p conversion price for the bonds.

The heavily-indebted leisure group announced the £103.3m of 13 per cent bonds last month. At that time Brent Walker said the listing particulars would be posted to shareholders, who have the option of clawing back bonds provisionally placed with a group of investors, by October 8. The bond issue requires shareholder approval at a special meeting.

However, on October 8 Brent Walker said that it expected to finalise "shortly" terms of the management buy-out of the bulk of Goldcrest, its film business. As a result the listing particulars would be delayed as details of the sale had to be included in them. The indication was that the document would be released this week.

Yesterday Brent Walker's public relations firm said the likely date for the announcement of the Goldcrest sale – thought to be worth up to £30m to Brent Walker – and the release of the listing particulars was now "the beginning of next week".

Corporate financiers working on the document, likely to stretch to 120 pages, say the bond issue breaks new ground and drafting the listing particulars has proved to be "a legal nightmare".

The listing particulars will refer to the writ issued by Grand Metropolitan against Brent Walker over a £50m payment which GrandMet, the drinks, food and pubs group, says it was due as the final payment of the sale of its betting shop chain to William Hill Group, an off-balance sheet vehicle for Brent Walker.

Brent Walker is disputing the £685m price of the bookmaking business, arguing for a £160m reduction because, it claims, profits from the chain were lower than expected.

Each side has appointed independent accountants to act for them in the dispute which was expected to go to an independent arbitrator. Although both sides said they wanted the dispute settled quickly, no arbitrator has yet been appointed.

Ashley Ashwood

John Goodwin (right) – an attack on the government

## Whisky tax under attack

A DECLINE in Scotch whisky sales volumes provoked a robust attack yesterday by Mr John Goodwin, chairman of Highland Distilleries, on the "grossly inequitable" taxation of the industry, writes Philip Rawstorne.

UK volume sales were running 8 per cent lower than last year and export sales were 3 per cent down, Mr Goodwin said in London. Yet the industry, with exports of £1.6bn a year, got less favourable treatment from the government than imported wine and beer.

Despite the declining market, Highland reported another year of expanding sales both in the UK and abroad for The Famous Grouse, the UK's number two brand which accounts for half the group's business.

Mr Goodwin said Highland intended to concentrate its efforts on the brand's export potential.

The group made a £900,000 extraordinary provision in the balance sheet against the cost of closing its mushroom farming operations; but a review of its depreciation rates resulted in an extraordinary credit of £1m.

Analysts, who generally underestimated the group's pre-tax profits of £24.7m, are forecasting £27.6m for the current year, putting the group on a prospective p/e of 13.8.

# Bank to meet Çukurova over bid for B&Ç arm

By Richard Waters in London and John Murray Brown in Ankara

CUKUROVA GROUP, one of the largest Turkish industrial conglomerates, will meet with Bank of England officials tomorrow in an attempt to dispel concerns about its bid for British & Commonwealth Merchant Bank.

The group had hoped by now to have finalised its £40m-£50m bid for BCMB, part of the collapsed British & Commonwealth Holdings financial services group.

It is understood to have been delayed by the need to convince the Bank of England that the Turkish group is a suitable owner of a British bank, rather than by negotiating problems with the bank's administrators, Ernst & Young.

Officially the one-month period during which Çukurova had exclusive negotiating rights with the BCMB administrators came to an end yesterday.

However, the administrators will not rush to put the bank back on the market as long as there remains a chance of selling to the Turkish group, since it is believed that no other potential buyers have bid anything like the £40-£50m offered by Çukurova.

The price depends on the state of BCMB's loan book. Early indications from Çukurova suggested that it had identified provisions that needed to be made against property loans, and that this would reduce the value of its bid.

The Bank of England is thought to have been concerned about a number of issues, including the Turkish group's financial strength. Although its 1989 accounts recorded total assets of $5.9bn, shareholders' funds amounted to only $334m at the end of 1989.

Any group that takes over BCMB will have to be able to meet an immediate liquidity problem, since individual depositors with £100m in the bank are expected to withdraw their money as soon as it is taken out of administration.

Mr Melih Araz, the president of Interbank, one of four Çukurova banking subsidiaries, said a standby facility was being arranged with other banks to finance the liquidity problem. He also promised certain asset reductions.

Other concerns about Çukurova's ownership of BCMB include the fact that, as a conglomerate, it is thought by the Bank of England to be more difficult to monitor and control than a banking group. B&C itself was brought down by problems in a non-banking part of the group.

The Bank of England would not comment yesterday.

# Sales growth meets resistance

## Clare Pearson on Seeboard, unlikely to diversify after flotation

FROM SEEBOARD'S headquarters in a converted 19th century hotel on the seafront at Hove, one can look down and watch the passers-by moving sedately to and fro along the promenade.

The tranquil scene sets the tone for this south-east based company which of all the 12 regional electricity companies has the highest proportion of domestic customers. Many of them are either elderly, or comfortably off, or both.

With customers like these Seeboard is virtually assured a buoyant stock market debut. Scattered throughout a region to the south of Croydon and east of Crawley, they have proved, on past experience, to be enthusiastic investors in privatisation shares.

Yet there is another way of looking at Seeboard.

Mr John Wilson, an analyst at UBS Phillips & Drew, notes: "The contribution from financial, business and other services is the second highest of all distribution companies, exceeded only by London Electricity."

Big changes are also on the way via the Channel Tunnel. At the moment, the installation of the tunnel's distribution network is the company's largest project.

Should Seeboard win the contract to provide electricity supplies to the tunnel, which is expected to go to tender early in 1992, that would take its commercial sales on to another plane.

The tunnel is widely expected to boost electricity volumes in the area by providing a spur to economic growth.

But this will already have been taken into account when the X factors for the companies, which define their ability to raise distribution charges, were set.

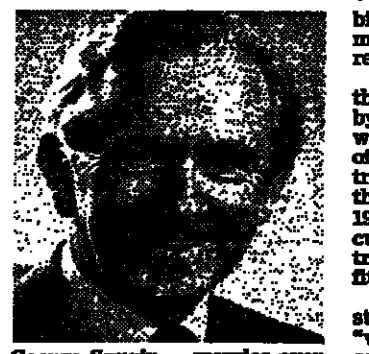
Those companies with a high proportion of domestic customers are deemed to have a relatively safe distribution load; so Seeboard's X factor, at 0.75 per cent, is among the lowest. It is, however, higher than that for Southern, Eastern and London.

That would be in line with the problems that the company, already hard-hit by the economic downturn, faces over the short term.

The year to end-March, when historic cost operating profits dipped to £48.7m (£53.6m), was a difficult one for Seeboard. Another mild winter depressed domestic demand, while this was also affected by an earlier slowdown in new house building in the area.

Sales to domestic customers slowed to a growth rate of just 0.5 per cent.

The sharp downturn in new house building is going to continue to depress its domestic sales, particularly as the area has seen a large amount of starter and retirement home building, for which electricity is especially suitable.

George Squair – worries over the turnover in clerical staff

**Customer breakdown of sales**

| | Seeboard(%) | Industry(%) |
|---|---|---|
| Domestic | 44.3 | 34.4 |
| Commercial | 28.9 | 25.9 |
| Industrial | 23.9 | 36.7 |
| Other | 2.9 | 3.0 |

Source: UBS Phillips & Drew

Additionally, Seeboard's share of central heating in the area is now close to saturation, while British Gas is proving increasingly aggressive in marketing alternatives to electricity budget schemes.

While the outlook for sales grows bleaker, Seeboard has found itself faced with growing price pressures – especially on labour costs – given that Seeboard is situated in the London catchment area.

Mr George Squair, chairman, admits that at the moment the company is worried about a high turnover of clerical staff and how that is affecting customer service.

Seeboard is also about to face a rise in capital expenditure – though this too will have been factored into X. According to P&D's Mr Wilson, Seeboard's real growth in capital expenditure over the last 10 years has been the lowest of all the distribution companies. So it is expected to be one of the biggest spenders in the 1990s, mainly on replacement and reinforcements.

All this spells challenges for the management team headed by Mr. George Squair, a man who stands out as something of an "old stager" among electricity chairmen: his career in the industry stretches back to 1946 when he joined the precursor of the Southern Electricity board as an apprentice fitter.

The team he has assembled strikes analysts variously as "workmanlike", "careful and considered" and "deliberately low-key".

However, Seeboard did, uncharacteristically, cause a stir in the industry earlier this year during the initial bout of competition for large industrial customers. This was when it won the Heathrow Airport contract away from Southern Electric, whose region Heathrow falls into.

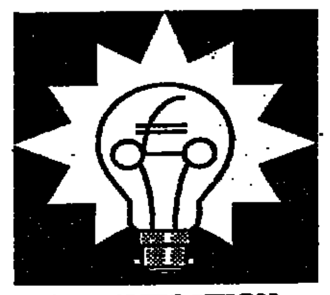
Suggestions that the Heathrow prize may have been won on uneconomic terms are adamantly rebutted by Mr Squair. "We had no need for predatory pricing," he says, claiming it was thanks to the sophisticated metering equipment to monitor the load profile, which had been developed for Gatwick, that the contract was won.

Certainly, Seeboard does not seem the company most likely to rush headlong into diversifications in the post-flotation world.

"We shall be seeking to maximise the value of our present skills rather than to explore," says Mr Squair, carefully.

On generation projects, for instance, it has no firm plans of its own although it has a well-developed policy to encourage new generators within the area.

What does all this add up to in terms of how the shares will look as an investment? Mr Christopher Rowland at Barclays de Zoete Wedd,and Mr Wilson at P&D, both independent analysts, have identified a number of risks.



PRIVATISATION

For Mr Rowland, there is a worry that the initial yield on the shares may be fixed at an unsustainable low level when they are priced next month. This would arise if the pricers factored too much in for the keenness among local investors to buy the shares and for the regional prospects opened up by the Channel Tunnel.

He has an additional worry about the organisational structure of the company which he identifies as hybrid: comprising both functional and divisional structures. This may mean Seeboard will forego the advantages of either approach, he fears.

Mr Wilson, known as one of the most sceptical observers of the industry, has a quibble with the fundamental assumption that the Channel Tunnel will prove a significant benefit to the local economy. "The attractions of France combined with the poor communications and limited development land in Seeboard's area could severely affect long-term commercial sales growth," he says.

Certainly, all observers agree that variations between the level of that growth and the assumptions made about it when X was determined, will be important determinants of how the shares perform.

Mr Wilson, who has ranked the 12 companies in terms of risk, concludes that Seeboard is a "medium risk investment".

*This is the second of the 12 profiles of the regional electricity companies that the FT is publishing every Tuesday*

# Propeller stake to be sold by Brown Shipley, says receiver

By Clare Pearson

THE RECEIVER at Corton Beach has agreed to put the shares held in Propeller, the casualwear distributor, into the hands of Brown Shipley Stockbroking which, in turn, has undertaken to try to sell the 21.9 per cent stake on the best terms it can find during the next 12 months.

The move sweeps away the uncertainty hanging over the stake in financially-stretched Propeller, which is planning a 3-for-2 rights issue, created by the appointment last week of receivers from Price Waterhouse at Corton Beach, the food, leisure and motor company.

Brown Shipley is hoping to announce today the completion of the sub-underwriting for the rights issue which is to be carried out by Propeller's lenders. A document could then be posted to shareholders.

Before the receiver was appointed, Corton had planned to take up its rights in full with money borrowed from the lenders secured against the new shares.

Under the new arrangement, beneficial ownership of the shares remains with Corton. If Brown Shipley manages to sell them, it has agreed to account to the receiver for the proceeds, less 3p which shall be paid to Propeller's lenders who are sub-underwriting the rights issue shares to be issued at 10p.

Following the rights issue, Corton may ask Brown Shipley to sell the shares but Brown Shipley may refuse to do so if it has good cause. Corton's agreement is required for any sale.

Mr Mike Keen, Corton's chairman, resigned as non-executive chairman of Propeller at the beginning of the month, at the same time as it announced an interim retained loss of £2.44m, the rights issue plans and cancellation of last year's dividend.

# Swiss parent agrees to Pioneer demutualisation

By Richard Lapper

SWISS LIFE, the biggest life insurer in Switzerland, and Pioneer Mutual Insurance, the Liverpool-based life insurer, announced yesterday that they had agreed terms for the demutualisation of Pioneer.

According to the scheme, which Pioneer's policy holders will consider on November 1, Pioneer's business is to be transferred to a new limited company which will be acquired by and become wholly-owned by Swiss Life.

Swiss Life, which announced its intention of acquiring Pioneer in September 1989, is to invest £12m into Pioneer's long term business and shareholders funds, increasing the value of life policies.

That investment, part of an overall expansion plan which should see Pioneer's number of salesmen increase from 450 to 750 in the short term, would also compensate policyholders for their loss of control if demutualisation went ahead. The scheme would need approval of the English and Irish High Courts.

Swiss Life, which has worldwide funds under management of £15.24bn and an annual income of over £3.4bn, sees the UK as a base for expansion in Europe. Its existing UK subsidiary, Swiss Life (UK), specialises in group life and pensions policies and has funds of £242m.



## NEWS DIGEST

### West Inds reorganises after loss

ESCALATING losses at Interset, which is now being sold, and poor results from the material handling testing division, forced West Industries, the industrial and leisure group, into a loss of £1.08m in the year ended March 31 1990.

There is no dividend. Last year a total of 1p – the final being 0.75p – was paid from a pre-tax profit of £502,000.

In a substantial reorganisation, Interset, the computer typesetting subsidiary, is being sold to its management for £1, and West has repaid £300,000 of overdraft and will repay a further £80,000 by the end of this month.

For the year Interset recorded a loss of £1.89m before tax and after extraordinary charges, and unaudited liabilities were £1.35m.

City and Country Estates made considerable profits in the year. The group loss comprised £777,000 (profit £607,000) from continuing businesses and £303,000 (£105,000) from discontinued activities. Loss per share was 2.98p (earnings 1.74p) and extraordinary costs totalled £1.98m.

### £79,000 profit at Sanderson Murray

Sanderson Murray & Elder (Holdings), which earlier this year announced a significant diversification into motor distribution, reported a pre-tax profit of £79,000 for the first half of 1990.

Because the company has changed its accounting year to coincide with recent acquisitions, the current period will cover the 18 months ending December 31 1990. In the half year to December 31 1989 a loss of £149,000 was incurred.

Contributions from the three recently acquired Rover Group dealerships were not included, and results comprised only the textile interests.

The company however, has continued to diversify away from textiles and there remains now only a small topmaking business.

Turnover for the half year came to £2.46m. Profit was struck after an exceptional charge of £98,000 for redundancy and closure costs. Earnings per share were 4.1p, before an extraordinary debit of £92,000.

The chairman said favourable consideration would be given to a dividend when results for the current 18 months period were announced. A total of 5.5p was paid for the previous year.

### Exceptionals put Synapse in red

Synapse Computer Services, which fell £249,200 into the red at the six months stage, finished the year to July 31 with pre-tax losses of £332,000 compared with previous profits of £1.1m.

The year-end loss was struck after taking account of exceptional provisions of £326,000 which related to losses on anticipated contracts in the US and redundancy and compensation payments in the UK.

Turnover totalled £10.23m (£9.07m). Loss per 5p share emerged at 8.9p (earnings 20.2p) and the dividend for the year is being reduced from 3.7p to 3.375p.

The directors said the recovery in the second half following reorganisation gave the group a firmer footing for the future.

They added that the US operations had been reorganised and alliances were being formed with other organisations which were already bearing fruit in new orders.

### Roskel virtually unchanged at £1.4m

Roskel, the USM-quoted group which installs suspended ceilings and partitions, reported taxable profits virtually unchanged at £1.42m in the first half of 1990.

The result was held back by interest charges of £405,000, against interest receivable of £172,000 last time. Operating profit rose to £1.88m (£1.25m) and turnover grew 57 per cent to £20.4m (£12.99m). Part of these two increases can be put down to the inclusion of Access Rental from February 1.

Mr Simon Skelding, chairman, warned that, given the more difficult trading conditions, pre-tax profits for the current year were likely to be slightly below those of 1989. Although the contracting division was expected to report satisfactory profit margins, CP Supplies and Access Rental were being affected by the slowdown in the construction industry.

Earnings declined to 6.01p (6.92p) per share, due to the issue of new shares connected with the acquisition of Access Rental. The interim dividend is maintained at 1.3p.

### Interest causes fall at American Distrib

A rise in interest payable from £928,000 to £2.74m caused a 5.6 per cent fall in pre-tax profits at American Distributors, the USM-quoted distributor of cigarettes, confectionery and groceries in the US.

The interim dividend is passed (1.125p).

The decline at the pre-tax level – from £2.4m to £2.26m – compared with a 50 per cent increase to £5m (3.33m) in operating profits. Turnover leapt to £261.81m (£115.5m). Gross profit more than doubled to £18.85m (£9.05m), but distribution costs amounted to £9.48m (£4.12m) and administrative costs totalled £4.38m (£1.61m).

The company said it had concentrated on the rationalisation of its distribution network in the period under review which included results for two months from Metropolitan Distributors, acquired in May. It added that it had established a leading position in its market and was just beginning to produce the anticipated economies of scale.

However it warned that, with higher tobacco taxes and additional restrictions on smoking, the longer-term outlook for the tobacco industry posed certain challenges to the cigarette distributors. "A meaningful improvement" in operating margins was expected through 1991.

Fully diluted earnings slipped to 5.2p (6.3p) per share.

### Warnford edges ahead to £3.3m

Warnford Investments, the property investor, increased its profits from a depressed £3.11m to £3.3m pre-tax for the six months to June 24. Gross rents and service charges totalled £5.65m compared with £5.08m.

After tax of £1.27m (£1.08m) and minorities of £4.03m (£3.6m) earnings emerged little changed at 5.28p (5.26p). The interim dividend is a same-again 2.5p.

The directors anticipated that group revenue for the full year would not be materially different than 1989's £6.56m.

Following withdrawal of the other party to the scheme the redevelopment of Wardrobe Court, Carter Lane and Addle Hill in London had been postponed. The directors said they were reassessing the situation.

### Johnston Group slips to £2.8m

Johnston Group, the specialist civil and mechanical engineer, saw taxable profits fall 7 per cent from £3.06m to £2.84m in the half-year to June 30, though turnover rose from £50.38m to £57.21m.

Mr Graham Johnston, chairman, said that delays in the payment of poll tax had restricted local authority spending, thus affecting the performance of the road maintenance company.

The substantial losses in the construction company were reduced thanks to the completion of problem contracts, though he added that the anticipated higher expenditure by the water companies following privatisation had still not materialised. Margins would be "slim" due to contractions in other sectors. Provisions had been made against the reduction of values in the development portfolio.

In engineering, sales volumes and profits were increased in the suction sweeper subsidiaries following their reorganisation. The outcomes in the hydraulics and fire tender companies were flat. And, in spite of the competitive conditions, results in the civil engineering supplies division improved.

Earnings were down at 14.67p (16.24p) per share and, in order to reduce further the discrepancy between the interim and final dividends, the interim is lifted to 4.5p (4p).

### Boost for Second Market Investment

Second Market Investment Company, which mainly invests in those companies quoted on the second market of the French Stock Exchange, trebled its pre-tax profits from £75,147 to £244,487 in the first half of 1990.

Investment income rose to £362,734 (£280,459). Bank interest added £256,420 (£59,489), while interest payable took £142,244 (£94,768). The taxable result was after administrative charges of £232,423 (£170,033).

Earnings per share worked through at 1.478p (0.346p). Net asset value at June 30 stood at 276.1p (221.6p) basic and 273.4p (223.4p) fully diluted.

### Both its businesses help New Ireland

For the first half of 1990 New Ireland Holdings, the Dublin-based composite insurer, recorded a 22 per cent advance in pre-tax profit, from I£1.28m to I£1.56m, or £1.4m.

Both sides of the business produced satisfactory performances, reflecting heavy investment in rationalisation and technology programmes.

Earnings per share worked through at 8.09p (6.03p) and the interim dividend is again 3p.

General insurance made a profit of I£1.15m (I£874,000). Net premiums declined to I£16.83m (I£17.52m) and underwriting loss was cut to I£1.71m (I£1.82m), the result mainly of an improvement in the motor account.

In the life account, premiums rose to I£62.32m (I£40.59m) following successful broker market sales and significant penetration of the pensions market. Other income more than halved to I£11.98m (I£21.56m) as profit on investment realisation was substantially lower. Net income was I£35.51m (I£29.73m) but no surplus is transferred to profit and loss at the halfway stage.

### Property losses leave WB deeper in red

The continuing burden of interest on financing the purchase of three property developments, and a decision to write down property values, increased the attributable loss at WB Industries from £317,000 to £488,000 in the first half of 1990.

Reflecting acquisitions, sales rose to £7.42m (£1.49m) and the operating loss cut to £88,000 (£216,000). Interest charges, however, were up to £232,000 (£26,000) to leave the pre-tax loss at £329,000 (£317,000).

Below-the-line there was an extraordinary write down of the Bacup and Newmarket properties of £166,000. Loss per share was 0.88p (2.8p).

### Downiebrae up 22% but passes interim

Downiebrae Holdings, the Glasgow-based steel profile and pipe flange manufacturer, has increased pre-tax profits 22 per cent from £278,000 to £340,000 in the first half of 1990.

However, the directors have decided that a return to the payment of interim dividends is at present unwise, due to the uncertainty of the immediate outlook and the prevailing high interest rates.

Group turnover advanced to £866,000 (£790,000) and was achieved in spite of the progressive downturn in demand. Trading profit was £377,000 (£300,000) and earnings rose to 1.42p (1.28p) per share.

FT LAW REPORTS

# Spanish ships have interim right to fish

**REGINA v SECRETARY OF STATE FOR TRANSPORT, EX PARTE FACTORTAME LIMITED AND OTHERS**
**HOUSE OF LORDS**
(Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Oliver of Aylmerton, Lord Goff of Chieveley, and Lord Jauncey of Tullichettle):
October 10, 1990.

**THE COURT has power to restrain the Crown from enforcing an Act of Parliament pending a decision by the European Court as to its legality under EC law if, taking all the circumstances including the public interest into account, the balance of convenience favours such a measure and, in particular, if there appear to be strong grounds for challenging the validity of the legislation.**

The House of Lords so held when giving reasons for its decision of July 9 1990, allowing an appeal by Factortame Ltd and 94 other Spanish-owned fishing vessels from a Court of Appeal judgment refusing them interim registration as British fishing vessels pending a final decision by the European Court of Justice as to the validity of UK registration laws.

LORD GOFF said that the applicants challenged the legality of certain provisions of the Merchant Shipping Act 1988 and the Merchant Shipping (Registration of Fishing Vessels) Regulations 1988, on the ground that they contravened European law.

The matter came before the Divisional Court. It requested a preliminary ruling from the European Court of Justice on questions necessary to enable it to determine the application. It made an interim order that in the meanwhile Part II of the Act and the Regulations be disapplied, so as to enable the applicants' registration to continue under the Merchant Shipping Act 1894.

The Court of Appeal allowed the Crown's appeal from the interim order. On appeal by the applicants the House of Lords held there was no jurisdiction in English law to grant an injunction. It sought the European Court's guidance on whether, in such a case, European law overrode English law.

On June 19 1990, the Court ruled that where a rule of national law was the sole obstacle precluding a national court from granting interim relief in a case concerning EC law, it must set aside that rule.

Following that ruling, the applicants returned to the House of Lords to pursue their appeal seeking interim relief pending determination by the European Court of the matters referred to it by the Divisional Court.

The House decided to grant interim relief pending final judgment. It restrained the Crown from withholding registration under the 1988 Regulations on grounds of lack of UK residence or domicile.

The question for consideration concerned the appropriateness of an interim injunction in a case challenging the lawfulness of an Act of Parliament under European law.

Section 14(1) of the 1988 Act provided that a fishing vessel was only eligible for British registration if it was British-owned. By section 14(2) it was British-owned if title was vested wholly in "one or more qualified persons or companies" and the vessel was beneficially owned "as to not less than the relevant percentage ... by one or more qualified persons .."

By subsection (7) "qualified person" meant "a British citizen resident and domiciled in the UK ...", and "the relevant percentage" meant "75 per cent ..." Section 14 was amended by the Merchant Shipping Act 1988 (Amendment) Order 1989, to substitute EC requirements for national requirements. The nationality issue ceased to be relevant for the purposes of the present appeal.

The applicants' complaint was directed to the UK "domicile and residence" requirement in section 14(7). They submitted it was contrary to the right of establishment under article 54 of the EC Treaty, and to the right to participate in capital under article 221.

Under section 37 of the Supreme Court Act 1981 the Court had power to grant an injunction in all cases where it appeared to be just and convenient to do so, on such terms and conditions as it thought fit.

Guidelines for the exercise of the jurisdiction were laid down in Lord Diplock's speech in *American Cyanamid v Ethicon [1975] AC 396.*

He approached the matter in two stages. First he considered the relevance of damages. Availability of such a remedy would normally preclude the grant of an interim injunction. But if there was doubt as to the adequacy of remedies in damages, the Court would proceed to the second stage – "the balance of convenience" – and for that purpose would consider all the circumstances of the case.

As a general rule in cases of the present kind, involving public interest, the problem could not be solved at the first stage, and the court would proceed to the second stage.

Where a party was a public authority "the balance of convenience" must be looked at more widely, and public interest be taken into account. Particular stress should be placed on the importance of upholding the law in the public interest, bearing in mind the need for stability in society and the duty on certain authorities to enforce the law in the public interest.

The matter was for the discretion of the court, taking into account all the circumstances. It could not be fettered by a rule. Even so, the court should not restrain a public authority by interim injunction from enforcing an apparently authentic law unless it was satisfied, having regard to all the circumstances, that the challenge to the validity of the law was, *prima facie*, so firmly based as to justify taking so exceptional a course.

There were certain reasons why, *prima facie*, the applicants had strong grounds for challenging the validity of the residence and domicile provisions in section 14.

First, the UK's central argument, in seeking to uphold the validity of section 14, was that articles 7, 52 and 221 of the Treaty should not be interpreted as affecting the nationality of vessels or grant of flags, in respect of which competence remained, in principle, with member states.

An argument on those lines had not appeared to find favour with the president in the Commission's application for interim relief (*Commission v UK, case 246/89 R*).

Second, in *Agegate [1990] 3 WLR 226*, a fishing licence case, the European Court rejected as invalid a condition requiring residence in the member state of 75 per cent of the vessel's crew.

If such a residence qualification was rejected in respect of the grant of a licence, it might well be difficult to persuade the Court to adopt a residence qualification relating to beneficial owners, or to 75 per cent of shareholders or directors, as a condition of registration. The same must be true of a condition relating to domicile.

As to the final outcome on those issues after consideration by the Court, the House could express no opinion. But those two points alone led to the conclusion that the applicants' challenge was, *prima facie*, a strong one.

With regard to the balance of convenience as a whole, on the evidence the vessels ceased to be on the UK register after lapse of the old register on April 1 1989. Many owners claimed to have suffered damage to date of well over £100,000. Some feared imminent bankruptcy.

The Crown's evidence was that as a result of the introduction of the new register British vessels other than those owned by Spanish interests had been able to take up the opportunities now available to them, taking increased catches, employing extra crew and investing in new vessels. They would suffer serious losses if the applicants' vessels returned to the British fleet.

Even taking that evidence fully into account, there was not sufficient to outweigh the obvious and immediate damage which would continue to be caused if the applicants were not granted interim relief. The appeal was allowed. Interim relief was granted.

Lord Brandon and Lord Oliver agreed. Lord Bridge and Lord Jauncey gave concurring judgments.

*For the applicants: David Vaughan QC, Nicholas Forwood QC, Gerald Barling and David Anderson (Thomas Cooper & Stibbard).*

*For the Crown: Sir Nicholas Lyell QC, John Laws, Stephen Richards and Andrew Macnab (Treasury Solicitor).*

**Rachel Davies**
*Barrister*

GOLD MINING COMPANY REPORTS

RAND MINES

Report for the quarter ended 30th September 1990

Office of the Secretaries of the undermentioned companies in the United Kingdom: 40 Holborn Viaduct, London EC1P 1AJ

## Durban Roodepoort Deep, Limited

(Incorporated in the Republic of South Africa) Registration No. 01/00826/06
ISSUED CAPITAL: R2 325 000 IN 2 325 000 SHARES

| OPERATING RESULTS | Quarter ended 30.09.1990 | 30.06.1990 |
|---|---|---|
| **Underground operations** | | |
| Ore milled (t) | 252 000 | 239 000 |
| Gold produced (kg) | 870 | 825 |
| Yield (g/t) | 3.45 | 3.45 |
| Revenue (R/t milled) | 116.04 | 113.74 |
| Cost (R/t milled) | 113.84 | 114.36 |
| Working profit/(loss) (R/t milled) | 2.20 | (0.62) |
| Revenue (R/kg) | 33 613 | 32 961 |
| Cost (R/kg) | 32 974 | 33 130 |
| Working profit/(loss) (R/kg) | 639 | (169) |
| **Sand Treatment** | | |
| Sand treated (t) | 194 000 | 196 000 |
| Gold produced (kg) | 128 | 148 |
| Yield (g/t) | 0.66 | 0.76 |
| Revenue (R/t milled) | 22.18 | 24.94 |
| Cost (R/t milled) | 10.88 | 11.02 |
| Working profit (R/t milled) | 11.30 | 13.92 |
| Revenue (R/kg) | 33 613 | 32 961 |
| Cost (R/kg) | 16 492 | 14 595 |
| Working profit (R/kg) | 17 121 | 18 366 |
| **FINANCIAL RESULTS (R000's)** | | |
| Revenue | 33 546 | 32 071 |
| Cost | 30 799 | 29 491 |
| Working profit | 2 747 | 2 580 |
| Sundry revenue – net | 157 | 150 |
| Profit after taxation and State's share of profit | 2 904 | 2 730 |
| Capital recoupment/(expenditure) – net | 2 104 | (1 191) |

OPERATING RESULTS
Costs for the quarter reflect the full effect of annual increases granted to all employees.

PUMPING ASSISTANCE
Assistance totalling R1.9 million for the pumping of extraneous water and R30 000 for the upgrading of pumping facilities was received from the State during the quarter, compared with R1.9 million and R0.9 million, respectively, received during the preceding quarter.
Working costs and capital expenditure are reflected net of this assistance.

BORROWINGS
The company fully repaid its bank borrowings during the quarter. It had borrowings of R2.6 million at the end of the preceding quarter.

CAPITAL EXPENDITURE
There are no commitments for capital expenditure. The estimated total capital expenditure for the remainder of the current financial year is R1.9 million.
Capital recoupment/(expenditure) is reflected net of the proceeds from the sale of assets amounting to R3.4 million, compared with recoupments amounting to R0.4 million in the preceding quarter.

GOLD HEDGING
The proceeds from hedging transactions completed during the quarter, form part of revenue derived from the sale of gold. At the end of the quarter the company had the following outstanding hedging contracts:

| Quarter | Kilograms of gold sold | Average realisable value per kilogram sold |
|---|---|---|
| 1990 – 4th | 485 | R37 380 |
| 1991 – 1st | 401 | R35 423 |
| 1991 – 2nd | 289 | R36 564 |
| 1991 – 3rd | 152 | R37 792 |

For and on behalf of the board,
J. R. FORBES (Deputy Chairman)
P. VOS (Managing Director) } Directors

30 September, 1990

## Blyvooruitzicht Gold Mining Company, Limited

(Incorporated in the Republic of South Africa) Registration No. 05/00743/06
ISSUED CAPITAL: R6 000 000 IN 24 000 000 SHARES

| OPERATING RESULTS | Quarter ended 30.09.1990 | 30.06.1990 |
|---|---|---|
| **Underground operations** | | |
| Ore milled (t) | 409 000 | 417 000 |
| Gold produced (kg) | 2 324 | 2 122 |
| Yield (g/t) | 5.56 | 5.09 |
| Revenue (R/t milled) | 180.05 | 162.09 |
| Cost (R/t milled) | 175.67 | 156.65 |
| Working profit (R/t milled) | 4.38 | 5.44 |
| Revenue (R/kg) | 32 383 | 31 852 |
| Cost (R/kg) | 31 595 | 30 782 |
| Working profit (R/kg) | 788 | 1 070 |
| **Surface operations** | | |
| Rock milled (t) | 212 000 | 180 000 |
| Gold produced (kg) | 185 | 221 |
| Yield (g/t) | 0.87 | 1.23 |
| Revenue (R/t milled) | 28.26 | 39.08 |
| Cost (R/t milled) | 17.90 | 19.35 |
| Working profit (R/t milled) | 10.36 | 19.73 |
| Revenue (R/kg) | 32 383 | 31 852 |
| Cost (R/kg) | 20 517 | 15 767 |
| Working profit (R/kg) | 11 866 | 16 085 |
| **FINANCIAL RESULTS (R000's)** | | |
| Revenue | 78 011 | 74 625 |
| Cost | 74 063 | 68 803 |
| Working profit | 3 948 | 5 822 |
| Sundry revenue – net | 300 | 846 |
| Profit before taxation and State's share of profit | 4 248 | 6 668 |
| Taxation and State's share of profit | 1 069 | 1 132 |
| Profit after taxation and State's share of profit | 3 179 | 5 536 |
| Capital expenditure | 832 | 2 858 |
| Dividend declared | – | 7 200 |

OPERATING RESULTS
Costs for the quarter reflect the full effect of annual increases granted to all employees.

TRIBUTE AGREEMENT WITH DRIEFONTEIN CONSOLIDATED LIMITED
In terms of a tribute agreement between Driefontein Consolidated Limited and this company concluded on 25 July 1984, a share of profits amounting to R1.7 million is due to that company for the quarter ended 30 September 1990. This amount has been taken into account in determining sundry revenue – net.

CAPITAL EXPENDITURE
There are commitments for capital expenditure amounting to R2.4 million. The estimated total capital expenditure for the remainder of the current financial year is R3.0 million.

GOLD HEDGING
The proceeds from hedging transactions completed during the quarter, form part of revenue derived from the sale of gold. At the end of the quarter the company had the following outstanding hedging contracts:

| Quarter | Kilograms of gold sold | Average realisable value per kilogram sold |
|---|---|---|
| 1990 – 4th | 666 | 34 838 |
| 1991 – 1st | 597 | 34 981 |
| 1991 – 2nd | 491 | 36 242 |

For and on behalf of the board,
J. R. FORBES (Deputy Chairman)
K. F. W. EICK (Managing Director) } Directors

30 September, 1990

GENERAL NOTE
All financial figures are subject to audit
Registered Office:
15th Floor, The Corner House, 63 Fox Street, Johannesburg 2001

## Harmony Gold Mining Company Limited

(Incorporated in the Republic of South Africa) Registration No. 05/38232/06
ISSUED CAPITAL: R13 442 325 IN 26 884 650 SHARES

| OPERATING RESULTS | Quarter ended 30.09.1990 | 30.06.1990 |
|---|---|---|
| Ore milled (t) | 2 273 000 | 2 436 000 |
| Gold produced (kg) | 7 268 | 7 505 |
| Yield (g/t) | 3.20 | 3.08 |
| Revenue (R/t milled) | 101.98 | 96.48 |
| Cost (R/t milled) | 108.34 | 98.44 |
| Working loss (R/t milled) | 6.36 | 1.96 |
| Revenue (R/kg) | 31 883 | 31 342 |
| Cost (R/kg) | 33 881 | 31 980 |
| Working loss (R/kg) | 1 998 | 638 |
| **FINANCIAL RESULTS (R000's)** | | |
| Revenue | 231 797 | 235 219 |
| Cost | 246 247 | 240 007 |
| Working loss | 14 450 | 4 788 |
| Sundry revenue – net | 5 960 | 8 248 |
| Loss/(profit) before taxation and State's share of profit | 8 490 | (3 460) |
| Taxation and State's share of profit | 3 077 | 3 624 |
| Loss after taxation and State's share of profit | 11 567 | 164 |
| Capital expenditure | 2 589 | 5 078 |

PRODUCTION
During the quarter, the National Union of Mineworkers was officially recognised and wage increases of between fourteen and seventeen per cent were granted following negotiations with this Union.
Production has been adversely affected by a number of illegal work stoppages and other disruptive tactics. Certain grievances have been identified and these are being addressed by management and the various employee bodies concerned.
Subsequent to the announcement on 19 July 1990 of a fire, further underground fires have occurred at Harmony No 3 shaft, as well as at Merriespruit Nos. 1 and 3 shafts. These fires caused material damage and loss of production.

OPERATING RESULTS
Costs for the quarter reflect the full effect of annual increases granted to all employees.

CAPITAL EXPENDITURE
There are commitments for capital expenditure amounting to R1.3 million. The estimated total capital expenditure for the remainder of the current financial year is R12.4 million.

GOLD HEDGING
The proceeds from hedging transactions completed during the quarter, form part of revenue derived from the sale of gold. At the end of the quarter the company had the following outstanding hedging contracts

| Quarter | Kilograms of gold sold | Average realisable value per kilogram sold |
|---|---|---|
| 1990 – 4th | 2 006 | R34 061 |
| 1991 – 1st | 2 145 | R34 356 |
| 1991 – 2nd | 1 101 | R35 834 |

For and on behalf of the board.
J. R. FORBES (Deputy Chairman)
M. A. WATSON (Managing Director) } Directors

30 September, 1990

## East Rand Proprietary Mines, Limited

(Incorporated in the Republic of South Africa) Registration No. 01/00773/06
ISSUED CAPITAL AND SHARE PREMIUM: R183 403 163 IN 16 832 000 ORDINARY SHARES
R78 000 000 IN 350 000 "B" CLASS VARIABLE RATE CUMULATIVE REDEEMABLE PREFERENCE SHARES

| OPERATING RESULTS | Quarter ended 30.09.1990 | 30.06.1990 |
|---|---|---|
| **Underground operations** | | |
| Ore milled (t) | 242 000 | 320 000 |
| Gold produced (kg) | 1 250 | 1 248 |
| Yield (g/t) | 5.17 | 3.90 |
| Revenue (R/t milled) | 164.91 | 122.32 |
| Cost (R/t milled) | 185.28 | 175.84 |
| Working loss (R/t milled) | 20.37 | 53.52 |
| Revenue (R/kg) | 31 926 | 31 358 |
| Cost (R/kg) | 35 870 | 45 075 |
| Working loss (R/kg) | 3 944 | 13 717 |
| **Sand Treatment** | | |
| Sand Treated (t) | 184 600 | 263 000 |
| Gold produced (kg) | 96 | 166 |
| Yield (g/t) | 0.49 | 0.62 |
| Revenue (R/t milled) | 15.61 | 19.30 |
| Cost (R/t milled) | 16.18 | 16.18 |
| Working loss/(profit) (R/t milled) | 0.57 | (3.12) |
| Revenue (R/kg) | 31 926 | 31 358 |
| Cost (R/kg) | 33 089 | 26 293 |
| Working loss/(profit) (R/kg) | 1 163 | (5 005) |
| **FINANCIAL RESULTS (R000's)** | | |
| Revenue | 42 782 | 44 337 |
| Cost | 47 816 | 60 622 |
| Working loss | 5 034 | 16 285 |
| Interest paid | 10 762 | 9 348 |
| | 15 796 | 25 633 |
| Less | 28 399 | 885 |
| Recoupment of working costs | 26 061 | – |
| Sundry revenue – net | 2 338 | 885 |
| Profit/(loss) after taxation and State's share of profit | 12 603 | (24 748) |
| Capital – recoupment net | 1 436 | 1 668 |
| Interest capitalised | 2 834 | 2 436 |

OPERATIONS
Ore milled from underground sources was 33 000 tons in excess of the rationalisation plan. Sand production was, however, 71 000 tons lower than budget due to the sand plant being off line for 27 days, during the quarter as a result of metallurgical extracting difficulties. These difficulties have subsequently been resolved and the planned processing rate has been restored.
Total gold production was higher than planned.
Included in working costs is a non-recurring charge of R3.8 million for retrenchment benefits due to employees as a result of the implementation of the rationalisation plan.

DISPOSALS
During the quarter certain sand dumps and slimes dams were disposed of for R28.1 million. This income is shown separately above as a recoupment of working costs.
The company also received R1.5 million during the quarter, in respect of payments for the grant of options to purchase certain other slimes dams and freehold property. These receipts are included in sundry revenue – net above.

BORROWINGS
Total net borrowings at 30 September 1990 amounted to R360 million, including R47 million in deferred interest, compared with R358 million and R35 million, respectively, at the end of the preceding quarter. Total gross loan facilities are R384 million compared with R381 million in the previous quarter.

CAPITAL EXPENDITURE
There are commitments for capital expenditure amounting to R2.8 million. The estimated total capital expenditure for the remainder of the current financial year is R4.9 million. Work has commenced on the commissioning of the ice cooling plant and the equipping of the Far East sub-vertical shaft. The capital recoupment of R1.4 million is in respect of sales of assets and reversals of accruals, less capital expenditure of R0.2 million no expenditure was incurred in the previous quarter.

PUMPING ASSISTANCE
During the quarter a pumping subsidy of R1.4 million, compared with R2.2 million in the previous quarter, was received from the State. Working costs have been reflected net of this assistance.

For and on behalf of the board,
J. R. FORBES (Deputy Chairman)
E. H. J. STOYELL } Directors

30 September, 1990





















CONTRACTS & TENDERS

## GHANA COCOA BOARD
## PROCEDURE OF BUYING COCOA FROM GHANA

The Cocoa Marketing Company (Ghana) Limited, Accra, which is a wholly-owned subsidiary of the Ghana Cocoa Board is responsible for the sale of Ghana Cocoa Beans, Cocoa Butter, Cocoa Cake, Cocoa Liqour, Coffee and Sheanuts.

REGISTRATION
Firms wishing to be registered as buyers are required:-

(1) to apply in writing direct to the Managing Director of the Cocoa Marketing Company (Ghana) Limited.
(2) provide evidence of employment in some capacity in the cocoa trade in a consuming country.
(3) that the firm could handle the commodity in the international market.
(4) provide name and address of the firm's bankers to ascertain the firm's capacity to buy at least 1,000 metric tonnes per year.
(5) provide evidence of membership of the Cocoa Association of London or the New York Cocoa Merchants Association of America or any other reputable cocoa association.

COMMUNICATION:
Registered buyers can get in touch with:

THE MANAGING DIRECTOR,
COCOA MARKETING COMPANY (GHANA) LIMITED,
P.O. BOX 1017,
ACCRA/GHANA.

TEL. 226866/5 LINES
TELEX: 2082, ACCRA : CABLES: COCOMAK

Additionally, to maintain effective contact with buyers overseas, the Company has an established office in London. The address of the London Office is as follows:-

THE COCOA MARKETING COMPANY (GHANA) LIMITED
UNIT 5 GRANARD BUSINESS CENTRE
BUNN'S LANE
MILL HILL
LONDON NW7 2DQ

TEL: 081-906-4877
FAX: 081-906-4095
TELEX: 264497/8

LEGAL NOTICES

IN THE MATTER OF INSOLVENCY ACT 1986
and
HOUSE OF SHUTTERS (UK) LIMITED
(Company No. 2293549)

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a Meeting of the Creditors of the above-named Company will be held at the Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY on Friday 19th October 1990 at 2.30 p.m. for the purposes mentioned in Sections 99 to 101 of the said Act.

A list of the names and address of the Company's creditors may be inspected free of charge at the offices of SINGLA & COMPANY, 49 Queen Victoria Street, London EC4N 4SA between 10 a.m. and 5 p.m. on 7th and 18th October 1990.

Dated this 1st day of October 1990
BY ORDER OF THE BOARD
E D O'KEEFE
DIRECTOR

# Chipping away at the market

## Doug Dunn, head of GEC Plessey Semiconductors, speaks to Michael Skapinker

Doug Dunn has dreamt for years of uniting Britain's semiconductor companies to create an organisation capable of competing with Europe's best. Today, Dunn says that he has achieved three quarters of that vision, even if some of it happened by accident.

From his office in Swindon, Dunn heads an organisation which includes the semiconductor interests of Plessey and the General Electric Company. In 1987, as the managing director of Plessey Semiconductors, Dunn had taken over the chip interests of Ferranti. The only significant UK-owned manufacturer which eluded his grasp was Inmos, which is now part of SGS-Thomson, the Italian-French chip group.

He has ambitious plans for his new group, GEC Plessey Semiconductors. He believes he can increase its turnover from £200m to £500m in three to four years. He says it is possible the company will make further acquisitions.

Since last April the company has been wholly owned by GEC, which is the part that happened by accident. GEC and Siemens of Germany acquired the Plessey group last year after a bitter takeover battle. GEC and Siemens said they would own Plessey's semiconductor division jointly. Siemens, one of Europe's chip giants, would exercise management responsibility.

Executives at Siemens and GEC agree that the German company would eventually have acquired complete control. But the UK Ministry of Defence objected to Siemens' dominant role and the German company withdrew entirely. Plessey Semiconductors was taken over by GEC instead.

The prospect filled many Plessey managers with dread. Lord Weinstock, GEC's managing director, had not shown much interest in developing a chip business in the past. Dunn, who had been a vociferous opponent of the GEC/Siemens takeover, says their fears were misplaced.

"From the date of the purchase until now, I've had every encouragement. Lord Weinstock takes an active interest in the business. Regardless of what I said in the past, and I've forgotten what I said, we're progressing in GEC," he says.

As Lord Weinstock gave him his current job, Dunn could hardly say anything else. But his continued presence at GEC Plessey Semiconductors probably speaks for itself. Dunn has many fans in the European semiconductor industry and would not have had any difficulty finding another job.

Dunn says the company – which employees have started calling, unofficially, GPS – will consist of three divisions: Plessey Semiconductors and the two old GEC businesses: Marconi Electronic Devices Limited (Medl) and Medl Power Semiconductors. The latter makes products for the power supply and railway industries and will continue to have a separate sales force. The Plessey and Medl Microelectronics sales forces have been merged.

Plessey will continue to concentrate on its well-established products, which include application-specific integrated circuits (Asics) and high speed, bipolar semiconductors.

Dunn is keen to find new markets for Medl. The company is best-known for its hard and durable silicon-on-sapphire chips. These were developed for military purposes, but are also used in space. Dunn thinks that Medl could also make more use of its experience of packing chips together on a small surface.


Doug Dunn: 'I don't believe that big is always beautiful'

Dunn sees the combined group more than doubling its turnover in the next few years. "We're not actively looking for acquisitions. We want to grow organically first. Then we might lift our heads and look around for acquisitions."

Unlike European industry leaders such as Siemens and SGS-Thomson, Dunn does not believe that semiconductor companies have to be large to survive. Even if Dunn achieves his ambition of increasing sales to £500m, GPS would still be smaller than Siemens and SGS-Thomson are today. "I don't believe that big is always beautiful." Some medium-sized US semiconductor companies have proved more successful than the giants, he says.

Dunn also differs from his large European counterparts on whether it is necessary to manufacture commodity memory products. Siemens has devoted considerable resources to dynamic random access memory (D-Ram) manufacture and SGS-Thomson says that it, too, wants to become a significant D-Ram maker. The two companies argue that without access to new developments in the D-Ram field, they will fall behind in their development of more complex products.

"If I were SGS-Thomson I would go into memories as well," Dunn says. "At their size you can't avoid that market. At my size, I don't need to be a supplier of ordinary memories. But I do need to be able to integrate memories into my Asic products." Last year Plessey concluded a deal with Simtek of the US, giving it access to the design of some of the US company's specialised memory chips.

A more immediate concern is a radical change in Plessey's research strategy since it was taken over by GEC. Plessey had an internationally-renowned silicon research team of more than 100 people at its facility at Caswell, Northamptonshire. That team is being broken up and integrated into GPS's manufacturing operations at Swindon, Oldham and Roborough, near Plymouth. Dunn says that the researchers need to be based at the manufacturing sites to reduce the time taken to bring new products to market.

The disadvantage is that, in Dunn's estimation, only about 40 of the Caswell staff are likely to make the move. "We will lose some highly skilled and highly qualified people," he says. "But there are significant advantages, otherwise we wouldn't do it."

■ Starting tomorrow, the Wednesday Technology Page will be replaced by a weekly page on **Business and the Environment**. It will analyse how companies are reacting to environmental issues, as governments pass more stringent laws and consumers make their concerns felt.

# Aluminium in the fast lane

Alcoa, the world's biggest aluminium group, has so much faith in its aluminium intensive vehicle (AIV) project that it intends to set up a production plant in Europe to supply components and sub-assemblies to car manufacturers. By the time the plant is in place, Alcoa will have spent $250m (£127m) on the AIV venture.

Although Alcoa is not yet saying where the facility will be located, it will probably be in Germany. For the US group has been working on the project since 1981 with Audi, the upmarket subsidiary of the Volkswagen group. Audi is scheduled to launch an all-aluminium car in 1992.

Aluminium companies have been winning more orders for components from the automotive industry since the late 1970s when two successive oil crises and subsequent legislation in the US and Europe forced car makers to reduce vehicle weight.

The motor industry was reluctant to make the change because, even though aluminium is only half the weight of steel – the traditional material for car bodies – it is four times the price. Worse still, aluminium's price is more volatile, making long-term planning more difficult.

However, Pete Bridenbaugh, who heads Alcoa's research and design centre near Pittsburgh, says: "The AIV will change the way people build and design cars. It's a whole new way of making cars, not just substituting aluminium for other materials."

Alcoa decided it must find a way to cut the cost of producing an aluminium car to compensate for the extra cost of the material. And it believes it has done so with the AIV.

The concept involves a "spaceframe" on which panels of aluminium, steel or plastic can be hung. By using aluminium extrusions and castings, which can be produced to be very close to the final shape required, Alcoa says it has cut the number of components required by about half from the number needed for a conventional steel car body structure.

This reduces capital, tooling, labour, inventory and other costs yet produces a car 30 to 40 per cent lighter than a structure of equal stiffness made of steel.

Ron McClure, manager, planning and development for the AIV venture, says that, although tooling costs rise to those of steel at high volumes, for cars made in small or medium volumes – up to about 75,000 a year – tooling costs are only one-third of those for steel.

Therefore the car maker need not produce so many cars to amortise its investment. "Because tooling costs are much lower you can afford to change the design of any car more quickly and more often than with steel. You don't have to produce so many cars on the tools so you no longer need a huge, integrated car plant."

Car makers have the choice, depending on what the market requires, of building small aluminium cars which have very low fuel consumption or much bigger cars.

To achieve its objectives, Alcoa had to develop aluminium alloys which could stand up to the stresses imposed by such things as the compulsory crash testing which new vehicles have to undergo in Europe and North America.

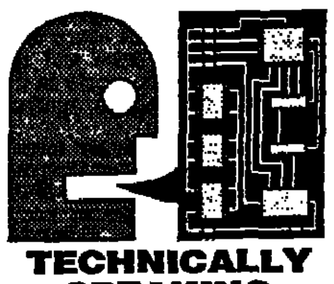
The metal tends to be porous and, therefore, brittle. Conventional castings, in particular, tend to shatter into many fragments when dropped or hit hard. Yet McClure says Alcoa is now producing extrusions with the strength of mild steel, which absorb energy in a crash and crush in a controlled, predictable way.

Alcoa is not alone in the field. Honda recently launched its NSX all-aluminium sports car using some technical help from Alcan of Canada. Alcan's own ASV (aluminium structured vehicle), used by Jaguar for the XJ220 supercar and a prototype of the Ferrari 408, allows adhesive-bonded aluminium car body structures to be built on conventional car production lines. Reynolds Metals of the US has its own aluminium car body structure and is working with a number of companies, notably Ford.

**Ken Gooding**

# Shortcomings of joint research

**By Guy de Jonquières**


TECHNICALLY SPEAKING

In the past few years, western governments and industries have flocked to worship at the shrine of joint technological research. In Europe, the new religion has spawned subsidised programmes such as Esprit, Eureka and Jessi, and in the US schemes such as MCC, Sematech and the HDTV consortium.

These projects stem from two main concerns. One is the soaring cost of R&D and the difficulty, even for big companies, of mastering an ever wider range of technologies. The other is increasing international competition – above all from Japan – in electronics and related industries.

Collaborative programmes have helped break down barriers between rival companies and stimulated the dissemination of know-how. But how far they have achieved their main aim of strengthening industrial performance is debatable. To say the least, joint research has yet to equip western companies with any world-beating new technologies, still less spurred them into the kind of great leap forward which Japan's government-sponsored VLSI programme gave its computer and microchip industries in the 1970s.

The answer may be that multi-company research collaboration started from a flawed premise. For the competitive weaknesses of western electronics companies are less obviously rooted in technology than in industry and market structures.

As more computer intelligence is built into chips, mastery of microelectronics is becoming a vital commercial weapon. However, the costs are growing horrendous. Not only does chipmaking devour ever larger capital investments, but profit margins are precarious and volatile.

Japanese companies have coped with this dilemma because they are vertically integrated and can support chipmaking out of profits earned downstream on products which use chips. But most US chipmakers have remained stubbornly independent. Few have diversified successfully into chip-using businesses such as computers, while of the heavyweight electronics manufacturers only AT&T and IBM have substantial in-house chipmaking capacity.

Two of Europe's three biggest chipmakers, Philips and Siemens, are vertically integrated. But Philips, the industry leader, has had growing difficulty extracting profit from its downstream operations. Indeed, its recent financial crisis has forced it to prune its loss-making computer division and to reduce its involvement in Jessi, the $5bn EC-sponsored chip research programme of which it is a founder-member.

Yet Japan cannot afford to feel smug. Its electronics companies also face structural problems due, paradoxically, to their success at mass-producing hardware. Continuous falls in the cost of products from computers to videorecorders have severely eroded margins, prompting an urgent search for competitive advantage and new sources of profit beyond manufacturing.

The logical step is to take downstream integration a stage further into high-value systems integration and software. However, Japan's computer software is notoriously primitive, and the world market for Japanese audio-visual entertainment is limited. That is why Fujitsu has acquired ICL of Britain, Sony has bought Columbia Pictures and Matsushita is courting MCA.

Making such diversification work will not be easy. But if it succeeds, it will pose a challenge to western industry which may make technological collaboration look like an inadequate answer to yesterday's problems.

*This is the first of a weekly column addressing technology issues.*

## COMMODITIES AND AGRICULTURE

# Price fall puts platinum expansions in doubt

**Kenneth Gooding** outlines the background to a sharp change in market sentiment

MANY PROPOSED platinum projects appear likely to be delayed or cancelled in the light of the recent sharp drop in the metal's price and the potential for over-supply in the first half of the 1990s, analysts suggest.

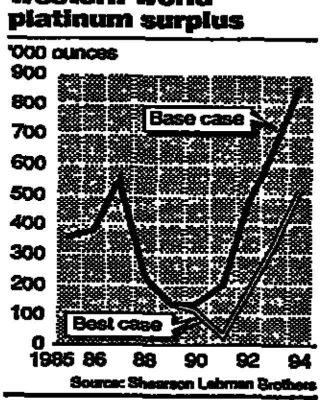
Gone, or seemingly forgotten, are fears about interruptions to supplies because of the political upheavals in South Africa, the largest supplying country, and the Soviet Union, the second-largest.

Instead, attention is focused on the damage that might be done to platinum demand by an industrial recession.

Political worries lifted the price to $504.75 a troy ounce in August. Since then it has been under constant selling pressure, which sent the price crashing through an important technical support point at $470. Yesterday morning, after dipping below $400, platinum was "fixed" in London at $403.25, the lowest level since March, 1986.

Platinum's price plunge has attracted the attention of the analysts and almost all think over-supply is looming. For example, Ms Rhona O'Connell, precious metals analyst at Shearson Lehman Brothers, who during the past three years has regularly pointed to a potential fight for market share among the platinum miners, says: "It now seems that this is precisely what is happening, with the established major producers flexing their muscles and raising output plans. There was already some doubt in the market-place as to whether all planned new projects would be viable. This doubt is now noticeably heightened."

**Western world platinum surplus**




Source: Shearson Lehman Brothers

Western world supplies of platinum last year totalled 3.375m ounces, of which South Africa contributed 77 per cent. The balance came from Soviet exports (16 per cent), Canadian production (4 per cent) and other minor sources (3 per cent).

Two South African producers dominate the market: Rustenburg Platinum, supplying 50 per cent of South Africa's output, and Impala Platinum, with 42 per cent. Since August both have announced substantial expansion plans, together adding up to about 440,000 ounces of new capacity by 1995. Several other companies had previously announced expansion plans and, if all came to fruition, they would swell platinum supplies by 1994 by 1.09m ounces. South African output alone would rise to 4m ounces.

Analysts do not believe demand can keep pace. Last year western world demand for platinum totalled 3.425m ounces. Jewellery accounted for 38 per cent, automotive catalysts 37 per cent, other industrial uses 20 per cent and investment 5 per cent.

Shearson's Ms O'Connell, for example, suggests a "base case" – taking account of a forecast considerable slowing in world economic growth – featuring a surplus of supply over fabrication demand totalling 850,000 ounces by 1994, compared with a surplus of 134,000 ounces last year. She suggests that investment demand is unlikely to take up the slack because at its height, in 1988, investment demand reached 670,000 ounces and over the past five years it has averaged about 460,000 ounces.

Even Ms O'Connell's "best case" implies a 506,000-ounce surplus in 1994.

Not all analysts are that pessimistic about demand. Some say consumption of platinum by the car makers will grow more strongly. Apart from big increases in the North America, Japan and western Europe as car emission legislation is tightened, "a number of other countries, including Mexico, Brazil, Taiwan and some eastern European nations, may begin requiring autocatalysts in the early 1990s," says Mr Jeffrey Nichols, managing director of American Precious Metals Advisors. He predicts the platinum supply surplus will be only 190,000 ounces in 1995.

Mr Nichols suggests that the Soviet Union has contributed to platinum's price weakness in the past two months by heavy sales in the west. He says Soviet sales, which have ranged from a low of about 230,000 ounces in 1985, are likely to repeat this year the 1989 total of 550,000 ounces.

Some observers believe that Rustenburg, by far the largest and lowest-cost producer, and Impala, have been selling to help the price fall in the short term to discourage investment by young or prospective platinum mining companies.

Whatever the reason for the recent price fall, Johnson Matthey, the biggest platinum marketing organisation, says there is not much fundamentally wrong with the market. Mr Neil Carson, JM's general manager, marketing, says that industrial demand for the metal is likely to reach record levels in 1990. He says the use of platinum by the automotive industry continues to climb even though car production is falling. More European cars are now being built with catalysts and more platinum is being used in North American catalysts.

Meanwhile, Japan, the biggest consumer (it took 1.7m ounces last year) shows no sign of importing less. Imports between January and the end of September were estimated at 41 tonnes (1.32m ounces) compared with 37 tonnes in the same period last year.

Mr Carson points out that the Yen price of platinum – yesterday Y1,680 a gram – is well below the benchmark Y2,000 which usually triggers substantial buying by the Japanese. The last time the price fell to that level, in February, 1988, Japan imported 11 tonnes (353,000 ounces) in the one month.

Only investment is disappointing this year, languishing at 2 per cent of consumption, he says.

While analysts have been cutting their price forecasts for 1990, they point out that the future platinum price must be, at the very least, equal to the marginal cost of South African production.

Mr Roger Chaplin, analyst at Laing & Cruickshank, says that "on fundamental production cost considerations" the price of platinum is unlikely to fall below $350 an ounce. "At this level many of the planned expansions would be shelved or reduced in scope which would bring the market back into balance."

# Sugar price lowest for 20 months

**By David Blackwell**

SUGAR PRICES fell sharply in both London and New York yesterday as the lack of physical offtake took a further toll of the market.

The London Daily Price for raws was 251.60 a tonne, the lowest level since the beginning of February last year. In New York at midday the nearby March futures contract had recovered to 9.12 cents a lb after touching a life-of-contract low of 9.08 cents a lb earlier in the day.

The fall continues to be driven by managed funds deciding to get out of sugar, coupled with stop-loss selling, traders said. The two biggest prospective buyers, China and the Soviet Union, have not come forward for any large amount recently. Moscow said it simply did not have enough cash for food imports.

Sentiment was further weakened by news that India, an importer for the past couple of years, was ready to sell 200,000 tonnes of sugar to raise desperately needed cash to cover rising oil prices.

Poland also said recently that it could supply the Soviet Union with 200,000 tonnes of white sugar.

At the same time, most forecasters now expect a surplus of more than 1m tonnes of sugar production over consumption for 1990-91 after several years of deficits.

# Oil cheaper as Gulf stand-off continues

**By Steven Butler**

OIL PRICES fell yesterday as the stand-off in the Gulf continued. North Sea Brent crude for December loading finished the day off $2 at $35.62½ in European trading.

Having been driven higher by the fear that an outbreak of war in the Middle East could disrupt Saudi Arabian exports oil prices have subsequently reacted sharply to any news hinting either of a rise or fall in tension in the Gulf. Traders say that a substantial war premium has been built in to the price of crude oil, making it highly responsive to fresh political development.

Some analysts had predicted that crude prices would decline by several dollars this week in response to a reduction in the volume that was being processed by refiners.

The trading volume of oil futures in New York and London has been extremely high, although deals struck in the physical market have fallen off as oil companies have tried to reduce exposure to volatile trading conditions that they believe they cannot outsmart.

Product prices also drifted. Jet fuel, which rocketed at the end of September, yesterday fell below $500 a tonne.

# Dumping charge over EC beef offer to Brazil

**By Victoria Griffith in Sao Paulo**

BRAZIL'S MINISTRY of Economy is investigating a dumping charge concerning the importing of 80,000 tonnes of beef from the EC. Mr Pedro Camargo Neto, president of the Rural Society of Brazil lodged a formal complaint on October 4, alleging that the beef was subsidised.

Mr Camargo Neto's position is based on a federal law, never before applied, which forbids the importing of subsidised products. He said that, although importers had shown interest in the EC meat, he had been assured by the European Community itself that it had not yet been officially sold. It was being offered for the minimum price of $610 a tonne, about half the internal price, he claimed.

Mr Jose Milton Dallari, director-superintendent of the Brazilian Association of Beef Exporters, said the companies Bordon and Sadia of Sao Paulo and Sola of Rio de Janeiro, were interested in purchasing 40,000 tonnes of beef from the EC at prices between $1,300 and $1,400 a tonne.

He said the importing of the beef, from Ireland, Germany, France and Italy, during the second half of November, was justified on grounds of quality. But according to Mr Camargo Neto, even at the price of $1,400 a tonne it would have to be subsidised.

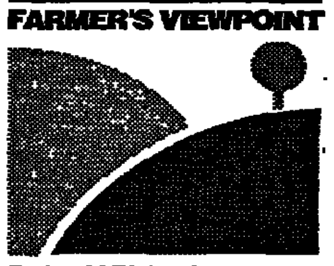
"The average price of this meat in the EC is $3,000 (a tonne)," he said. "If the deal is closed, the EC will give the exporter the difference between the sales price and the actual price in the European market."

An official at the Ministry of Economy confirmed that it was studying the issue.

# Green lobby gives the blues to American farmers

Farmers and agrochemicals producers have united to ward off sweeping environmental restrictions

**FARMER'S VIEWPOINT**



**By David Richardson**

IN MEMPHIS, Tennessee, last week America's farm leaders had the blues because of the greens. It had less to do with Elvis Presley, than it did with the so-called "environmental agenda" being dictated by the green movement across the US.

For the first time, representatives of virtually all the numerous individual commodity groups and the agricultural supply trade came together in the common cause of attempting to moderate the most extreme proposals of the greens. The motivation for the meeting was the kind of political activity currently going on in California: "Big Green", the Environmental Protection Bill 1990, promoted by Californian Congressman Tom Haydon and the subject of a state referendum in three weeks, would, if adopted, have a devastating effect on agriculture.

In a catch-all environmental proposal the citizens of California will be invited to vote that among other things, all chemical sprays with any cancer risk whatever should be banned in the state. Furthermore, the Bill, would forbid the importing into California of any product grown with the help of such chemicals.

In an unprecedented move a consortium of the parties that would be worst affected by such a law: the farmers, the food trade and the agricultural chemical industry, have donated a total of $16m towards a campaign to try to get the measure thrown out

A year ago, soon after the "Big Green" proposals. were made, opinion polls indicated that 80 per cent of Californians would vote in favour. Today the polls show an even split and it is clear the decision could still go either way.

The need to accept minimal and known risks from using tried and thoroughly tested agrochemicals is the basis of the agricultural industry's appeal to the Californian voters. The counter-propaganda points to the enormously stringent safety limits built into the chemicals approval procedures and alleges that "Big Green" is way over the top.

It would appear that significant numbers of ordinary citizens of the State are responding to these arguments and rejecting the emotional green outpourings of the Hollywood film stars who were discredited when the scare over the use of the pesticide Alar on apples, which they had promoted, was revealed to be groundless.

In place of "Big Green", the agricultural industry is putting forward its own agenda for caring for the environment with sustainable methods. And that word, sustainable, crops up time and time again the the US these days. It appeared again at last week's Memphis symposium, which I attended as a guest of its main sponsor ICI, which now claims 25 per cent of the US agrochemical trade. But it seems to mean different things to different people.

In the mid-80s – after years of aiming for maximum yields – surpluses had become the main pre-occupation and, in an attempt to reduce production and at the same time respond to the strengthening green lobbies, the US Department of Agriculture introduced Lisa – low-input sustainable agriculture. It allocated a modest $9m to the project to be given as grant aid to farmers who adopted what were essentially organic systems.

But Lisa never really got off the ground. The trouble was that it said nothing about economics and few American farmers, except those who were already practising green methods, were prepared even to consider the prospect. Low input, they reasoned, meant low profit, and they were of course quite right.

Sustainability, however, was something against which no-one could argue logically. But what does it actually mean? To some purists it clearly means doing away with all chemicals in the production of food. To others , and they are very much in the majority and include the US government according to Mr James Moseley, assistant secretary of agriculture, it must include the ability to make a profit because any business that does not will not sustain itself for long.

Mr Moseley also spoke of the future evolution of agriculture and suggested that what was thought to be sustainable now may or may not be in 20 years time. "Therefore, we must recognise that the foundation from which we build must be flexible."

Inevitably, there were those at the symposium who used it as a vehicle for advocating the maintenance of the status quo, Most, however, claimed that they accepted the need to forego some present advantage in the interests of future generations.

That said, however, it was also the mood of the meeting that there remained a need to inform and explain the true level of risk to which the public was exposed from chemicals used in agriculture. The facts are that in most cases the toxins that occur naturally in food are as great or greater than any residues left by agrochemicals; that neither natural nor introduced toxins pose any hazard to health unless consumed in quantities so large as to be a physical impossibility.

Environmentalists appeared to accept those arguments. In any event, they did not use the occasion to contradict the assertions. And the 250 or so delegates went away determined to meet again next year.

Meanwhile a similar scheme appears to be emerging in the UK. Once again ICI's agrochemicals division is involved. With others, it is about to launch an educational initiative under the title "Food for Thought". Its twin objectives will be to inform customers that zero risk food is an unobtainable illusion, even when it is organically produced, and to urge farmers to take even more care in the application of chemicals to crops. As both a farmer and as a consumer, I applaud the move.

# Strike hits Peruvian mines

**By Sally Bowen in Lima**

WORKERS AT Peru's principal producer of zinc, lead and silver, the state-owned Centromin, went on strike yesterday in a surprise move. Miners' Federation president, Mr Jorge Quezada, had earlier announced a "wave of strikes" for October in protest at the new Fujimori government's economic measures.

Only a week ago, the Miners' Federation postponed a planned national stoppage scheduled to begin on October 15 in support of a single wage negotiating platform for the mining industry. It had seemed clear that adequate support for a good showing would not be forthcoming since several major unions had recently reached satisfactory agreements directly with employers.

A Centromin official reported that about 3,000 of the company's 13,000 workers were on strike. Centromin's principal installation, the Cobriza copper mine, was shut down. So too was its second-biggest silver mine, Casapalca, and the smaller polymetallic mines, Mahr Tunnel and Andaychagua. The Cerro de Pasco zinc, lead and silver mine was not affected, but workers at other Centromin installations will vote on Thursday on whether to join striking colleagues.

The miners are aiming for a quick but substantial wage increase. Leaders say that their negotiated July rise was eaten up by August's 397 per cent inflation following drastic economic stabilisation measures decreed by the incoming government.

Already on strike since October 2 is San Ignacio de Morococha, Peru's second-biggest private zinc producer.

## WORLD COMMODITIES PRICES

### MARKET REPORT

Gold fell below $380 a fine ounce, closing just above an earlier five-week low on the London bullion market yesterday. On Comex, December gold futures fell to $377 a fine ounce shortly after midday. London dealers said the lack of any major supportive developments in the Gulf had contributed to the decline, which began in the Far East earlier in the day. On the LME cash lead again fell sharply, opening a contango (discount for nearby metal on three-month) of £3.50 a tonne. Dealers said soft fundamentals and freer availability of nearby metal prompted the falls. Copper prices were steady, with the market taking only minimal support from news of the latest Peruvian strike. Many market operators doubt whether Peruvian miners have the resolve to withstand another round of labour disputes. New York orange juice futures were down the limit of 5 cents a lb at midday, after falling the limit on Friday. Analysts reported a selling price cut by one Brazilian processor to 135 cents from 185 cents, following USDA's larger-than-expected estimate of the 1990/91 Florida orange crop. "That was the first Brazilian price cut and more are expected," said one analyst.

**Compiled from Reuters**

### London Markets

| SPOT MARKETS | | |
|---|---|---|
| **Crude oil (per barrel FOB)** | | **+ or -** |
| Dubai | $31.60-1.70y | -1.775 |
| Brent Blend (dated) | $37.60-7.70 | -2.50 |
| Brent Blend (December) | $35.60-5.65 | -2.00 |
| W.T.I. (1 pm est) | $35.10-5.20y | -2.10 |
| **Oil products (NWE prompt delivery per tonne CIF)** | | **+ or -** |
| Premium Gasoline | $402-407 | -9½ |
| Gas Oil | $337-339 | -11 |
| Heavy Fuel Oil | $135-137 | -10 |
| Naphtha | $370-375 | -21 |
| *Petroleum Argus Estimates* | | |
| **Other** | | **+ or -** |
| Gold (per troy oz)♣ | $379.75 | -7.75 |
| Silver (per troy oz)♣ | 423c | -11 |
| Platinum (per troy oz) | $403.75 | -14.25 |
| Palladium (per troy oz) | $92.0 | -2.5 |
| Aluminium (free market) | $1825 | -15 |
| Copper (US Producer) | 130c | +¼ |
| Lead (US Producer) | 50c | -1 |
| Nickel (free market) | 420c | |
| Tin (Kuala Lumpur market) | 16.34r | +0.05 |
| Tin (New York) | 294c | +8 |
| Zinc (US Prime Western) | 73c | |
| Cattle (live weight)† | 101.07p | +0.86* |
| Sheep (dead weight)† | 130.01p | +1.86* |
| Pigs (live weight)† | 77.02p | +0.96* |
| London daily sugar (raw) | $251.6w | -4.8 |
| London daily sugar (white) | $304.0w | -2.5 |
| *Tate and Lyle export price* | £237.0 | -1.5 |
| Barley (English feed) | £123z | |
| Maize (US No. 3 yellow) | £155 | |
| Wheat (US Dark Northern) | £90 | |
| Rubber (Nov)♥ | 50.00p | -0.50 |
| Rubber (Dec)♥ | 50.00p | -0.50 |
| Rubber (KL RSS No 1 Nov) | 239.5m | +1.0 |
| Coconut oil (Philippines)§ | $275w | -5 |
| Palm Oil (Malaysian)§ | $290w | |
| Copra (Philippines)§ | $197.5z | -2.5 |
| Soyabeans (US) | £143 | |
| Cotton "A" Index | 81.35c | -0.10 |
| Wooltops (64s Super) | 418p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Oct/Nov. w-Oct/Nov z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

| SUGAR – London FOX | | | ($ per tonne) | |
|---|---|---|---|---|
| **Raw** | **Close** | **Previous** | **High/Low** | |
| Dec | 208.00 | 220.60 | 215.00 | 207.00 |
| Mar | 204.60 | 215.60 | 214.00 | 203.60 |
| May | 206.60 | 217.00 | 214.00 | 204.40 |
| Aug | 208.60 | 218.60 | 215.00 | 209.40 |
| Oct | 208.60 | 218.60 | 215.00 | 209.00 |
| Dec | 215.00 | 220.00 | 210.00 | |
| Mar | 212.00 | 221.00 | 218.00 | |
| **White** | **Close** | **Previous** | **High/Low** | |
| Dec | 288.0 | 297.0 | 297.0 | 286.5 |
| Mar | 283.0 | 294.0 | 286.5 | 281.5 |
| May | 283.0 | 293.6 | 291.0 | 281.5 |
| Aug | 294.5 | 300.1 | 290.3 | 287.2 |
| Oct | 282.0 | 292.6 | 288.0 | 280.7 |
| Dec | 281.2 | | 285.0 | 280.1 |
| Mar | 282.2 | 294.5 | 287.5 | 280.7 |

Turnover: Raw2266 (1913) lots of 50 tonnes. White 2296 (1196)

| CRUDE OIL – IPE | | | $/barrel | |
|---|---|---|---|---|
| | **Latest** | **Previous** | **High/Low** | |
| Nov | 38.20 | 39.40 | 38.90 | 37.50 |
| Dec | 35.90 | 37.33 | 36.80 | 35.45 |
| Jan | 34.30 | 35.70 | 34.95 | 33.90 |
| Feb | 32.75 | 34.20 | 32.75 | |
| *IPE Index* | 39.71 | 40.32 | | |

Turnover: 6960 (19403)

| GAS OIL – IPE | | | $/tonne | |
|---|---|---|---|---|
| | **Latest** | **Previous** | **High/Low** | |
| Nov | 329.25 | 337.00 | 332.50 | 322.50 |
| Dec | 316.50 | 325.00 | 322.00 | 314.00 |
| Jan | 303.75 | 313.50 | 308.00 | 302.00 |
| Feb | 287.00 | 296.50 | 292.00 | 287.00 |
| Mar | 272.50 | 281.00 | 276.00 | 272.50 |
| Apr | 254.00 | 263.50 | 260.00 | 253.00 |
| Jun | 255.00 | | 256.00 | |

Turnover 8283 (20311)lots of 100 tonnes

**TEA**
30,308 packages were on offer including 1,400 offshore, reports the Tea Brokers' Association. Better quality Assams attracted good competition at fully firm rates while coloury mediums were a strong feature. Lesser mediums found a selective market at about last levels but plain sorts were mostly neglected. Africans met strong demand with brighter liquoring descriptions dearer and mediums very firm. Central Africans attracted more widespread support and were often dearer. Offshore teas remained about firm where sold but met limited enquiry. Quotations: quality 230p nominal, medium 138p, low medium 75p.

| COCOA – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Dec | 666 | 679 | 684 | 665 |
| Mar | 712 | 721 | 727 | 706 |
| May | 738 | 746 | 749 | 733 |
| Jul | 763 | 770 | 773 | 759 |
| Sep | 784 | 793 | 795 | 780 |
| Dec | 811 | 822 | 823 | 810 |
| Mar | 838 | | 848 | 837 |

Turnover: 6671 (3790) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 12 924.61 (922.58) 10 day average for Oct 15 944.22 (950.16)

| COFFEE – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Nov | 594 | 591 | 597 | 590 |
| Jan | 606 | 604 | 610 | 602 |
| Mar | 596 | 596 | 605 | 594 |
| May | 598 | 603 | 608 | 598 |
| Jul | 612 | 614 | 620 | 612 |
| Sep | 627 | 628 | 636 | 633 |

Turnover: 4470 (5193) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 12: Comp. daily 74.51 (74.14). 15 day average 74.24 (74.32)

| POTATOES – BFE | | | £/tonne | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Feb | 95.0 | | 95.0 | |
| Apr | 148.4 | 147.8 | 149.0 | 147.0 |
| May | 167.5 | 166.6 | 167.5 | 166.5 |

Turnover 102 (101) lots of 40 tonnes.

| SOYABEAN MEAL – BFE | | | £/tonne |
|---|---|---|---|
| | **Close** | **Previous** | **High/Low** |
| Dec | 113.00 | 114.50 | 113.00 |

Turnover 13 (17) lots of 20 tonnes.

| FREIGHT FUTURES – BFE | | | $10/index point | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 1288 | 1257 | 1290 | 1260 |
| Nov | 1334 | 1328 | 1335 | 1330 |
| Jan | 1320 | 1310 | 1320 | 1315 |
| Apr | 1300 | 1294 | 1304 | 1300 |
| Jul | 1110 | | 1105 | |
| Oct | 1180 | 1175 | 1180 | |
| BFI | 1230 | 1217 | | |

Turnover 234 (274)

| GRAINS – BFE | | | £/tonne | |
|---|---|---|---|---|
| **Wheat** | **Close** | **Previous** | **High/Low** | |
| Nov | 113.95 | 114.40 | 114.40 | 113.75 |
| Jan | 117.90 | 118.40 | 118.35 | 117.75 |
| Mar | 121.75 | 122.10 | 121.75 | |
| May | 125.10 | 125.50 | 125.10 | 125.05 |
| **Barley** | **Close** | **Previous** | **High/Low** | |
| Nov | 112.75 | 112.95 | 113.15 | 112.75 |
| Jan | 116.80 | 117.00 | 117.15 | 116.80 |
| Mar | 120.00 | 120.30 | 120.30 | 120.00 |

Turnover: Wheat 223 (171), Barley 90 (213). Turnover lots of 100 tonnes.

| PIGS – BFE | | | (Cash Settlement) p/kg |
|---|---|---|---|
| | **Close** | **Previous** | **High/Low** |
| Nov | 100.5 | | 100.0 |
| Jan | 95.0 | 93.0 | 93.0 |
| Feb | 95.0 | | 95.0 |

Turnover 12 (7) lots of 3,250 kg

| LONDON METAL EXCHANGE | | | | | (Prices supplied by Amalgamated Metal Trading) | |
|---|---|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | **AM Official** | **Kerb close** | **Open interest** |
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 34,549 lots |
| Cash | 1885-90 | 1855-60 | 1827/1827 | 1828-30 | | |
| 3 months | 1770-5 | 1760-2 | 1782/1725 | 1780-2 | 1780-2 | 76,866 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 28,800 lots |
| Cash | 1352-3 | 1370-2 | 1360/1352 | 1357-8 | | |
| 3 months | 1330-1 | 1326-7 | 1338/1328 | 1330-1 | 1336-7 | 114,141 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 5,159 lots |
| Cash | 366-8 | 384-5 | 367/360 | 361-2 | | |
| 3 months | 370-1 | 386-7 | 363/365 | 368-8 | 369-70 | 11,338 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 3,185 lots |
| Cash | 9000-50 | 9400-600 | 9025/9025 | 9025-50 | | |
| 3 months | 8850-75 | 8700-50 | 8700/8800 | 8700-50 | 8700-50 | 8,446 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 1,363 lots |
| Cash | 6340-50 | 6200-10 | 6335/6280 | 6280-90 | | |
| 3 months | 6360-70 | 6200-10 | 6360/6300 | 6280-300 | 6350-60 | 8,349 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 7,984 lots |
| Cash | 1348-50 | 1358-60 | 1349/1347 | 1349-50 | | |
| 3 months | 1345-7 | 1348-7 | 1355/1343 | 1345-8 | 1345-7 | 20,098 lots |

LME Closing £/$ rate:
SPOT: 1.9545 3 months: 1.9285 6 months: 1.9061 9 months: 1.8874

| LONDON BULLION MARKET | | |
|---|---|---|
| **Gold (fine oz)** | **$ price** | **£ equivalent** |
| Close | 379-379½ | 194-194½ |
| Opening | 383-383½ | 196-196½ |
| Morning fix | 381.85 | 195.420 |
| *Afternoon fix* | 380.70 | 195.231 |
| Day's high | 384¼-384¾ | |
| Day's low | 377¾-378¼ | |
| **Coins** | **$ price** | **£ equivalent** |
| Mapleleaf | 389-394 | 199-202 |
| Britannia | 389-394 | 199-202 |
| US Eagle | 389-394 | 199-202 |
| Angel | 389-394 | 199-202 |
| Krugerrand | 378-381 | 193½-195½ |
| New Sov. | 90-92 | 46-47 |
| Old Sov. | 90-92 | 46-47 |
| Noble Plat | 408.55-414.60 | 208.70-212.05 |
| **Silver fix** | **p/fine oz** | **US cts equiv** |
| Spot | 218.20 | 425.90 |
| 3 months | 225.70 | 434.60 |
| 6 months | 232.80 | 443.25 |
| 12 months | 246.20 | 460.45 |

| TRADED OPTIONS | | | | |
|---|---|---|---|---|
| **Aluminium (99.7%)** | **Calls** | | **Puts** | |
| Strike price $ tonne | Nov | Jan | Nov | Jan |
| 1750 | 113 | 88 | 19 | 64 |
| 1850 | 53 | 46 | 58 | 120 |
| 1950 | 19 | 21 | 123 | 193 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2550 | 113 | 114 | 25 | 100 |
| 2650 | 55 | 72 | 66 | 158 |
| 2750 | 21 | 43 | 151 | 224 |
| **Coffee** | Nov | Jan | Nov | Jan |
| 550 | 43 | 64 | | 9 |
| 600 | 4 | 32 | 11 | 27 |
| 650 | | 14 | 57 | 68 |
| **Cocoa** | Dec | Mar | Dec | Mar |
| 650 | 36 | 91 | 21 | 29 |
| 700 | 16 | 62 | 51 | 50 |
| 750 | | 43 | | 81 |
| **Brent Crude** | Dec | Jan | Dec | Jan |
| 3800 | | | | |
| 3850 | | | | |
| 3900 | 220 | | | |

### New York

| GOLD 100 troy oz.; $/troy oz. | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 375.0 | 387.5 | 382.5 | 373.5 |
| Nov | 376.5 | 389.2 | 0 | 0 |
| Dec | 378.5 | 391.3 | 385.9 | 375.5 |
| Feb | 382.5 | 395.5 | 390.0 | 380.0 |
| Apr | 386.4 | 399.6 | 393.0 | 383.3 |
| Jun | 390.4 | 403.6 | 397.9 | 387.8 |
| Aug | 394.3 | 407.8 | 401.0 | 392.0 |
| Oct | 398.5 | 412.1 | 404.0 | 398.0 |
| Dec | 402.8 | 416.5 | 410.0 | 408.5 |

| PLATINUM 50 troy oz; $/troy oz. | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 394.1 | 416.9 | 403.5 | 396.0 |
| Jan | 396.6 | 419.4 | 408.0 | 395.0 |
| Apr | 401.6 | 424.8 | 411.0 | 400.0 |
| Jul | 407.2 | 430.2 | 415.5 | 408.0 |
| Oct | 412.7 | 435.7 | 419.5 | 416.1 |

| SILVER 5,000 troy oz; cents/troy oz. | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 413.2 | 430.6 | 426.0 | 417.0 |
| Nov | 414.0 | 431.7 | 0 | 0 |
| Dec | 417.8 | 435.5 | 432.0 | 415.0 |
| Jan | 419.7 | 437.5 | 420.0 | 415.0 |
| Mar | 427.0 | 445.0 | 441.5 | 425.0 |
| May | 433.1 | 451.3 | 447.0 | 431.5 |
| Jul | 439.3 | 457.8 | 454.0 | 438.0 |
| Sep | 445.8 | 464.6 | 461.5 | 443.0 |
| Dec | 454.9 | 474.1 | 470.0 | 458.0 |
| Jan | 457.7 | 477.1 | 0 | 0 |

| HIGH GRADE COPPER 25,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 126.35 | 124.75 | 126.50 | 124.00 |
| Nov | 120.10 | 119.50 | 121.00 | 119.00 |
| Dec | 114.25 | 113.50 | 115.05 | 112.70 |
| Jan | 112.50 | 111.80 | 112.60 | 111.00 |
| Mar | 108.85 | 108.10 | 109.50 | 107.80 |
| Apr | 107.90 | 107.20 | 0 | 0 |
| May | 107.00 | 106.30 | 107.50 | 106.10 |
| Jun | 106.35 | 105.65 | 0 | 0 |
| Jul | 105.50 | 104.80 | 105.90 | 105.10 |
| Aug | 104.60 | 103.80 | 0 | 0 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Nov | 37.96 | 39.69 | 39.00 | 37.25 |
| Dec | 36.54 | 38.10 | 37.10 | 36.10 |
| Jan | 35.09 | 36.62 | 35.60 | 34.62 |
| Feb | 33.75 | 35.19 | 34.10 | 33.35 |
| Mar | 32.49 | 33.83 | 32.80 | 32.10 |
| Apr | 31.31 | 32.54 | 31.50 | 30.95 |
| May | 30.23 | 31.37 | 30.47 | 29.75 |
| Jun | 29.25 | 30.32 | 29.50 | 28.95 |
| Jul | 28.39 | 29.38 | 28.70 | 28.00 |
| Aug | 27.65 | 28.56 | 27.60 | 27.20 |

| HEATING OIL 42,000 US galls, cents/US galls | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Nov | 10207 | 10636 | 10380 | 10130 |
| Dec | 10291 | 10606 | 10415 | 10206 |
| Jan | 10092 | 10374 | 10210 | 10015 |
| Feb | 9597 | 9864 | 9700 | 9464 |
| Mar | 9072 | 9324 | 9120 | 9000 |
| Apr | 8597 | 8839 | 8645 | 8540 |
| May | 8257 | 8489 | 8330 | 8320 |
| Jun | 8062 | 8289 | 8080 | 8000 |
| Jul | 7972 | 8189 | 8000 | 7950 |
| Aug | 8022 | 8239 | 7965 | 7940 |

| COCOA 10 tonnes;$/tonnes | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Dec | 1168 | 1221 | 1201 | 1164 |
| Mar | 1229 | 1276 | 1252 | 1225 |
| May | 1267 | 1316 | 1288 | 1264 |
| Jul | 1308 | 1362 | 1325 | 1299 |
| Sep | 1334 | 1383 | 1362 | 1335 |
| Dec | 1374 | 1423 | 1396 | 1390 |
| Mar | 1409 | 1458 | 0 | 0 |

| COFFEE "C" 37,500lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Dec | 92.80 | 92.50 | 93.10 | 92.25 |
| Mar | 96.30 | 96.05 | 96.55 | 95.95 |
| May | 98.40 | 98.45 | 98.70 | 98.10 |
| Jul | 100.30 | 99.75 | 100.50 | 100.30 |
| Sep | 102.45 | 101.50 | 102.40 | 102.00 |
| Dec | 106.00 | 105.40 | 0 | 0 |
| Mar | 107.40 | 106.75 | 0 | 0 |

| SUGAR WORLD "11" 112,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Mar | 9.13 | 9.63 | 9.40 | 9.08 |
| May | 9.12 | 9.64 | 9.38 | 9.10 |
| Jul | 9.17 | 9.67 | 9.39 | 9.17 |
| Oct | 9.19 | 9.68 | 9.38 | 9.19 |
| Mar | 9.30 | 9.80 | 9.57 | 9.38 |

| COTTON 50,000; cents/lbs | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Dec | 72.83 | 73.08 | 73.35 | 72.57 |
| Mar | 73.15 | 73.50 | 73.70 | 73.00 |
| May | 73.60 | 73.92 | 74.00 | 73.35 |
| Jul | 73.66 | 74.10 | 74.00 | 73.50 |
| Oct | 69.20 | 69.73 | 69.30 | 69.30 |
| Dec | 67.80 | 67.70 | 67.80 | 67.70 |
| Mar | 68.35 | 68.50 | 68.50 | 68.15 |

| ORANGE JUICE 15,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Nov | 117.95 | 113.45 | 118.20 | 116.00 |
| Jan | 119.75 | 124.75 | 119.75 | 119.75 |
| Mar | 121.45 | 126.45 | 121.45 | 121.45 |
| May | 121.90 | 126.90 | 121.90 | 121.90 |
| Jul | 121.90 | 126.90 | 121.90 | 121.90 |

| INDICES | | | | |
|---|---|---|---|---|
| **REUTERS (Base: September 18 1931 = 100)** | | | | |
| | Oct 15 | Oct 12 | mnth ago | yr ago |
| | 1725.6 | 1732.3 | 1811.4 | 1858.6 |
| **DOW JONES (Base: Dec. 31 1974 = 100)** | | | | |
| | Oct 12 | Oct 11 | mnth ago | yr ago |
| Spot | 127.44 | 127.89 | 129.07 | 129.85 |
| Futures | 128.73 | 128.97 | 132.29 | 129.87 |

### Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Nov | 614/2 | 620/4 | 618/2 | 612/4 |
| Jan | 628/6 | 635/2 | 633/0 | 627/4 |
| Mar | 641/6 | 647/6 | 645/4 | 640/4 |
| May | 651/2 | 657/0 | 655/2 | 650/4 |
| Jul | 659/6 | 665/6 | 663/6 | 659/0 |
| Aug | 656/0 | 659/4 | 659/0 | 658/0 |
| Sep | 634/0 | 636/4 | 638/0 | 634/0 |
| Nov | 626/4 | 626/2 | 631/0 | 625/0 |

| SOYABEAN OIL 60,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 21.91 | 21.90 | 22.00 | 21.67 |
| Dec | 22.21 | 22.13 | 22.31 | 21.95 |
| Jan | 22.52 | 22.43 | 22.58 | 22.22 |
| Mar | 22.95 | 22.87 | 23.06 | 22.71 |
| May | 23.36 | 23.20 | 23.40 | 23.08 |
| Jul | 23.55 | 23.42 | 23.60 | 23.35 |
| Aug | 23.55 | 23.45 | 0 | 0 |
| Sep | 23.40 | 23.30 | 23.40 | 23.35 |

| SOYABEAN MEAL 100 tons; $/ton | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 180.6 | 183.8 | 183.0 | 180.0 |
| Dec | 184.5 | 187.8 | 187.0 | 184.1 |
| Jan | 186.4 | 189.6 | 188.8 | 186.1 |
| Mar | 189.3 | 192.7 | 192.0 | 189.2 |
| May | 191.2 | 193.6 | 192.5 | 191.0 |
| Jul | 192.2 | 194.5 | 193.8 | 191.8 |
| Aug | 192.5 | 193.0 | 192.5 | 192.5 |
| Sep | 189.5 | 190.2 | 190.0 | 189.0 |

| MAIZE 5,000 bu min; cents/56lb bushel | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Dec | 228/0 | 230/2 | 229/2 | 227/6 |
| Mar | 237/2 | 239/6 | 238/6 | 236/6 |
| May | 243/2 | 245/2 | 244/0 | 242/6 |
| Jul | 247/2 | 249/2 | 248/0 | 246/6 |
| Sep | 245/2 | 247/2 | 246/4 | 245/2 |
| Dec | 247/6 | 249/6 | 248/4 | 247/4 |
| Mar | 254/0 | 256/0 | 254/6 | 254/0 |

| WHEAT 5,000 bu min; cents/60lb-bushel | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Dec | 265/0 | 268/4 | 267/6 | 263/0 |
| Mar | 279/4 | 280/4 | 281/0 | 276/4 |
| May | 285/6 | 288/2 | 288/0 | 284/2 |
| Jul | 288/6 | 291/0 | 291/4 | 287/4 |
| Sep | 294/0 | 296/0 | 296/0 | 294/0 |
| Dec | 306/0 | 308/0 | 306/0 | 306/0 |

| LIVE CATTLE 40,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 78.97 | 79.00 | 79.30 | 78.92 |
| Dec | 75.65 | 75.65 | 76.17 | 75.65 |
| Feb | 73.86 | 73.75 | 74.22 | 73.75 |
| Apr | 74.92 | 74.92 | 75.30 | 74.87 |
| Jun | 72.75 | 72.77 | 73.00 | 72.65 |
| Aug | 70.90 | 70.77 | 71.20 | 70.80 |
| Oct | 71.30 | 71.25 | 71.47 | 71.20 |

| LIVE HOGS 30,000 lb; cents/lbs | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Oct | 58.30 | 57.62 | 58.62 | 58.15 |
| Dec | 54.75 | 55.02 | 55.87 | 54.57 |
| Feb | 52.15 | 52.52 | 53.10 | 52.05 |
| Apr | 48.57 | 49.05 | 49.55 | 48.40 |
| Jun | 51.97 | 52.60 | 52.95 | 51.90 |
| Jul | 52.35 | 52.80 | 53.00 | 52.35 |
| Aug | 51.25 | 51.30 | 51.40 | 51.25 |
| Oct | 46.25 | 46.40 | 46.40 | 46.25 |

| PORK BELLIES 40,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | **Close** | **Previous** | **High/Low** | |
| Feb | 65.42 | 66.40 | 66.40 | 65.25 |
| Mar | 65.25 | 66.32 | 66.32 | 65.05 |
| May | 65.35 | 66.15 | 66.15 | 65.25 |
| Jul | 64.25 | 65.05 | 67.05 | 64.25 |
| Aug | 62.90 | 64.67 | 66.50 | 62.90 |

# LONDON STOCK EXCHANGE

# Early gains lost in nervous trading

WEAKNESS IN sterling and in crude oil prices helped London share prices in the early part of yesterday's session, but the stock market's fragile confidence was soon punctured when Wall Street opened erratically on fears that the Gulf situation had taken a turn for the worse. Although London's equity turnover was poor, a £237m cash bid from Burmah Castrol for Foseco brought takeover speculation back to centre stage.

Equity traders were somewhat nervous ahead of yesterday's parliamentary speech from Mr John Major, the UK chancellor of the exchequer, although in the event there was little immediate reaction to his warning that he would not cut rates again until it was "safe and prudent." The chancellor will also deliver an important policy speech on Thursday, at the Mansion House in the City of London.

The morning session in equities went very well, with London opening higher behind good performances from Tokyo and New York, and extending the gain on the FT-SE to 25 points. But the scene changed suddenly in mid-afternoon when Wall Street, after at first registering the initial leap of 20 Dow points predicted in London, turned sharply down.

The early gain in the UK market was virtually eliminated, and there was a struggle to hold on to the FT-SE 2,100 level. An attempted rally was unsuccessful and the final reading showed the index at 2,101.9, only 1.5 ahead on the day. The 2,100 mark has been widely tagged as the lower end of a new trading range established following the announcement of Britain's entry into the European exchange rate system, but the market's final showing last night was somewhat unconvincing.

The fall in sterling to around DM 2.97 signalled immediate benefits for shares of the leading UK exporters and international companies. However, market strategists were also alert to the dangers looming if sterling continues to move towards the lower end of its agreed ERM range.

Seaq-reported trading volume was unimpressive yesterday, with 315.3m shares comparing with 376m on Friday. Yesterday's total was buttressed by heavy trade in Foseco as Cazenove, the blue chip London house, led Burmah's bid assault. A few other speculative situations, notably STC, the electronics group, were active, and trading volume increased as the market lost ground towards the close.

Yesterday's erratic performance appeared to underline the stock market's cautious response to the developments of the past fortnight. Despite Mr Major's warning many market analysts believe that further cuts in UK base rates will be forthcoming. However, for the near term, the Gulf remains a major unsettling influence for equity investors.

| Account Dealing Dates | | |
|---|---|---|
| First Dealings: | | |
| Oct 8 | Oct 22 | Nov 5 |
| Option Declarations: | | |
| Oct 18 | Nov 1 | Nov 15 |
| Last Dealings: | | |
| Oct 19 | Nov 2 | Nov 16 |
| Account Day: | | |
| Oct 29 | Nov 12 | Nov 26 |

*New-time dealings may take place from 8.30 am two business days earlier.

## Burmah strikes at Foseco

A MARKET raid and subsequent offer for Foseco, the speciality chemicals group, by Burmah Castrol caught the market on the hop and triggered intense activity in Foseco shares.

Cazenove, acting for Burmah Castrol, bid 275p a share for up to 14.9 per cent of Foseco but netted around 10.6 per cent of the company. The operation was followed by a full-scale offer at the same price, valuing Foseco at £236m.

Foseco ended the day above the price bid, a net 94 higher at 280p. This indicated, specialists said, that the market was looking for a counter-offer. Analysts took the view that it was unlikely that Burmah Castrol could win control of Foseco at this price, although one pointed out Foseco had plenty of disgruntled shareholders after recent poor interim figures.

It was also said that SHV, the Dutch group with a 9.1 per cent stake in Burmah Castrol, had not been consulted about the deal and that it might sell the stake, or even launch a bid for Burmah conditional on it dropping the Foseco offer.

Burmah Castrol shares took a beating and closed 41 lower at 455p, upset by the likelihood of earnings dilution and an increase in gearing to around 60 per cent.

## STC activity

The best individual performance among the Footsie stocks came from STC, the electronics group, as the market took the view that a takeover bid or break-up of the group now looks inevitable.

STC said yesterday it has been discussing the possibility of joint ventures, and that options being considered by possible partners could include a takeover bid for the group.

The increasing probability of a bid saw STC shares touch 293p, before coming off to close a net 15 higher at 284p. Turnover reached 6.3m, well ahead of usual levels of activity.

Alcatel, the French group, remained the market's favourite to gain control of STC. Northern Telecom, with a 27.2 per cent stake, was said by one specialist to have indicated its willingness to sell its holding for a small profit, and any move by Siemens, which has a 40 per cent equity interest in GPT, is thought likely to attract the attentions of the Monopolies and Mergers Commission.

County NatWest put a "realistic" valuation of 278p a share on STC and an "optimistic" valuation of 328p, but warned that the stock is "perilously overvalued on fundamentals".

Henderson Crosthwaite said that in spite of a "theoretical break-up value of 335p, a cash bid of 300p a share would be difficult to defend in current markets". Other analysts were telling clients to sell in the market, with the chances of a bid in excess of 300p looking more and more remote.

## Oil switch

A generally weak oil sector showed BP 6 down at 343p on 4.8m but Shell holding up well at 455p, only a penny easier on the day, after County NatWest told clients to switch to the latter. Mr Fergus MacLeod at County said: "The switch preserves upside exposure to oil prices and tension in the Gulf but significantly reduces risk."

He added that although BP's earnings are seen as more oil price sensitive than Shell's, BP has outperformed Shell by over 10 per cent since mid-July and is now at its highest level against Shell for five years.

Mr MacLeod said both stocks should respond to any further sharp rise in oil prices, but in the event of a decline then Shell will significantly outperform BP as refining margins expand and chemical operations gain relief from a fall in feedstock costs, both of which help Shell more than BP.

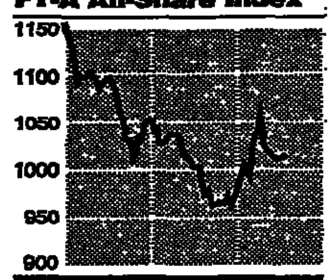
International stocks benefited from sterling's weakness but ended below the day's best after Wall Street fell quickly late in the session. ICI lost all but 4 of an early 16-point rise to end at 828p, while BTR shed 2 to 322p, 13 below its high of the day. Reuters was 34 better at one point before ending a net 24 ahead at 718p. Glaxo touched 774p before closing just 8 up at 763p, and SmithKline Beecham finished 10 firmer at 569p, after 578p.

The impression that Eurotunnel's financing was more secure than it had been for some months contributed to the stock's rise of 10 to 443p.

There was no shortage of stories in the banks. NatWest rose to 260p early in the session on what were said to be totally unconvincing rumours of a bid for the bank from Germany's Dresdner Bank; later NatWest slipped back to close only 2 higher at 254p.

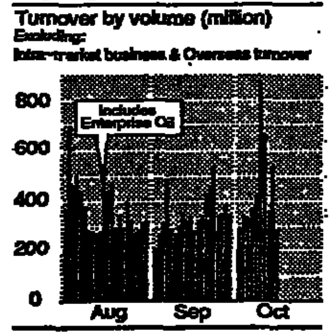
Midland were 2 easier at 190p after a statement that it was considering leasing part of its head office in the City.

**FT-A All-Share Index**




**Equity Shares Traded**

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover




Hints of an imminent sell note left Abbey National slightly off at 227½p, but TSB, where a substantial circular is said to be in the pipeline, moved up 2⅛ to 137⅛p on turnover of 4.1m shares.

A report that Danish insurance group Baltica may be about to sell its 14 per cent stake in Hambros Bank left the merchant banking group's shares 7 down at 218p.

Selling by one of the top US investment banks depressed the insurance sectors, especially composites. General Accident lost 12 to 470p.

Building and construction shares had a quiet day, with turnover in major stocks restricted to less than 1m.

Redland finished 10 higher at 576p, while Beazer ended unchanged at 84p, unaffected by news that Morgan Stanley has increased its stake in the company to 11.6m shares (4.13 per cent).

Roskel was also unmoved at 98p after unchanged interim profits and dividend. However, the company stressed that given the current economic climate there was likely to be a downturn in full year profits.

Blue Circle edged up 5 at one point but failed to hold the gain, falling back to Friday's close of 219p. The initial rise reflected news that a subsidiary company, Blue Circle Properties, has been granted outline planning permission for a prime six-acre site at Burton-on-Trent.

Chemicals were boosted by Burmah's 275p cash bid for Foseco. Croda added 3 at 161p and Allied Colloids gained 2 to 114p. Laporte rose 9 to 484p after BZW said the Burmah offer highlighted the company's current low rating.

Favourable press comment combined with aggressive support from one investment house to force BET higher. Marketmakers seemed short of stock and their efforts to balance trading books fuelled the upturn, leaving the shares 6 firmer at 219p.

Carpet manufacturer Tomkinsons reacted a further 9 to 181p on Friday's downgrading by James Capel.

Eurocopy weakened again, causing the company to make another statement about its subsidiary Purdle & Kirkpatrick, acquired from Equipu in March 1989. It reiterated much of the previous week's announcement and added that, as a result of misleading press comment, further complaints had been received which stemmed from the misconception that contracts entered into by customers were unduly expensive.

The misconception arose, said Eurocopy. because the cash price of a photocopier is compared with the cost of a contract which includes both the supply of equipment and the costs of financing that equipment and servicing over the life of the agreement. This includes labour, spare parts and consumable supplies, said Eurocopy. The news brought only a minor rally in the shares, finally 10 off at 193p.

Guinness was one of a handful of FT-SE 100 stocks to remain weak all day. Analysts blamed the poor performance on persistent talk that the company wanted to buy into Cruz Del Campo, the brewery group with 22 per cent of the Spanish market. This depressed the Guinness shares because of fears that earnings would be diluted by such an acquisition and that the earnings multiple on which the stock traded would fall.

Mr John Wakeley at Shearson Lehman said that if Guinness became more of a beer brewing company and less of a spirits company it was legitimate to examine the stock's premium over, for example, Allied Lyons. Guinness closed at 715p, a fall of 5.

A 32 per cent improvement to £25.6m in full year profits from Highland Distilleries did not impress the market. Shares in the company, best known for its Famous Grouse whisky brand, slipped 4 to 203p.

Hillsdown fell 13 to 261p after four directors announced they had sold a total of 1.43m shares at 271p last week. Hillsdown said the directors had bought the shares on borrowed money and had decided to sell to reduce their financial commitments. Analysts added that Hillsdown had been lifted by the recent reduction in interest rates, and the announcement of the directors' share sale had been an opportunity for profit-taking.

Unilever gained 5 to 658p after bullish comments by BZW ahead of third quarter results on November 9. BZW expects profits of £525m, including £20m of exceptional items, compared with £452m last time. Booker rose 5 to 420p following positive weekend press reports in response to its purchase of Fitch Lovell.

British Steel attracted business but, after a firmer start, buyers soon moved to the sidelines. The price finished just half a penny higher at 125p as 4.5m shares changed hands.

British Aerospace rose 6 to 545p, but Davy Corporation lost 11 to 98p in reaction to the continuing negotiations on cost overruns relating to the Emerald Field (North Sea) contract.

Trusthouse Forte gained ground on hopes of what analysts might recommend in the wake of visits yesterday to some of the company's hotels, restaurants, catering and food distribution businesses. THF was 6 better at one point before ending at 264p, a net rise of 2.

Castle Communications, the USM-quoted record and video concern, fell steeply on revealing an exceptional loss of more than £800,000 as a result of trading relationships with Parkfield, the collapsed mini-conglomerate. In July the shares had been sharply depressed when Castle said that the loss would be about £500,000. Yesterday Castle dropped 75 to 203p, the year's low. Before the July announcement the shares stood at 450p.

News International, the UK arm of Australian multinational News Corporation, continued to weaken on fears that the debt-laden parent was in difficulties. The shares fell another 9 to 115p, making a two-day decline of 18.

The weekend injunction against book retailing operations of Pentos, to prevent the breaking of the Net Book Agreement by offering discounts on some new books, helped rival W.H. Smith. The latter firmed 3 to 363p, while Pentos closed unchanged at 103p.

Positive comment from Hoare Govett helped Storehouse. Hoare praised the company's management and said it was the best recovery stock in the sector. The shares added 2 at 132p. At the close of trading there were widespread suggestions, largely disbelieved by marketmakers, that a line of 10m Storehouse shares were on offer.

Properties opened on a firmer note but there was no follow-through demand, and values finished mostly lower on the day. Second liners also failed to perform, and much of the day's attention focused on the futures market.

News that 535,000 square feet (in financial terms the largest property letting achieved in the UK) of the Ludgate development in London has been let pushed co-developers Rosehaugh and Stanhope firmer. Rosehaugh touched a high of 97p at one point, although the price came back to finish 5 up on balance at 88p. Similarly, Stanhope was up to 95p at one stage before receding to 88p, a net rise of 2. Interest faded at the day's highs, and one trader suggested that a significant amount of the two companies' Broadgate development would also have to be let to sustain the firmer tone.

USM-listed EFG dropped 13 to 25p after giving notice that owing to a reduced contribution from forestry activities it would probably incur a small loss for the year and that a final dividend payment was unlikely.

■ Other Market statistics, including the FT-Actuaries share index, Page 28

## NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (3).
BRITISH FUNDS (1) BUILDINGS (1) TRUSTS (1).

NEW LOWS (113).
AMERICANS (8) CANADIANS (6) BANKS (4) BUILDINGS (1) ELECTRICALS (6) ENGINEERING (3) FOODS (1) HOTELS (1) INDUSTRIALS (21) AAF Inv., AGT, Apollo Watch Products, BTR Nylex, Brompton Hldgs., Brown & Tawse, CSR, Cargo Control, EFG, Eurocopy, Forwell, Gieves, Halls Home & Gardens, Johnson Matthey, Johnston Group, Kershaw (A.), Mosaic Inv., Pacific Dunlop, Shaw (A.), Stora B Free, Whittington, INSURANCE (1) LEISURE (6) NEWSPAPERS (1) PAPERS (2) PROPERTY (3) SOUTH AFRICANS (1) TEXTILES (1) TRANSPORT (3) TRUSTS (12) OILS (8) OVERSEAS TRADERS (1) MINES (24).

## FINANCIAL TIMES STOCK INDICES

| | Oct 15 | Oct 12 | Oct 11 | Oct 10 | Oct 9 | Year Ago | 1990 High | 1990 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 79.73 | 79.87 | 79.97 | 79.98 | 80.22 | 85.27 | 84.20 (2/1) | 74.13 (30/4) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 88.93 | 88.99 | 88.98 | 88.67 | 89.14 | 93.77 | 92.91 (9/1) | 85.80 (30/4) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1627.2 | 1632.0 | 1618.9 | 1626.7 | 1640.5 | 1780.3 | 1968.3 (3/1) | 1510.4 (24/9) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 167.9 | 170.9 | 172.5 | 175.9 | 178.2 | 184.9 | 378.5 (9/2) | 157.9 (15/6) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2101.9 | 2100.4 | 2102.2 | 2121.6 | 2134.1 | 2183.4 | 2463.7 (3/1) | 1990.2 (28/9) | 2463.7 (3/1/90) | 986.9 (23/7/84) |
| Ord. Div. Yield | 5.89 | 5.89 | 5.90 | 5.85 | 5.82 | 4.85 | | | | |
| Earning Yld %(full) | 12.30 | 12.35 | 12.37 | 12.27 | 12.20 | 11.18 | | | | |
| P/E Ratio(Net)(*) | 9.85 | 9.82 | 9.79 | 9.86 | 9.93 | 10.78 | | | | |
| SEAQ Bargns 4.46pm | 19,614 | 16,181 | 18,969 | 22,507 | 30,405 | 37,410 | | | | |
| Equity Turnover(£m)† | - | 660.69 | 1335.91 | 915.24 | 1746.00 | 1787.67 | | | | |
| Equity Bargains† | - | 16,748 | 20,112 | 21,118 | 31,906 | 40,916 | | | | |
| Shares Traded (ml)† | - | 283.8 | 529.7 | 350.2 | 859.6 | 680.5 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83.

Ordinary Share Index, Hourly changes — Day's High 1647.5 — Day's Low 1625.9

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1627.7 | 1634.1 | 1637.8 | 1644.3 | 1647.2 | 1642.7 | 1642.7 | 1641.3 | 1629.1 |

FT-SE, Hourly changes — Day's High 2125.5 — Day's Low 2100.8

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2105.1 | 2112.1 | 2115.7 | 2122.3 | 2125.2 | 2121.2 | 2120.7 | 2119.8 | 2102.3 |

### GILT EDGED ACTIVITY

| Indices* | Oct 12 | Oct 11 |
|---|---|---|
| Gilt Edged Bargains | 94.2 | 99.8 |
| 5-Day average | 116.6 | 116.9 |

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| [illegible] | | | |
| BP | 4,300 | 343 | -6 |
| British Steel | 4,500 | 125 | +½ |
| British Telecom | 3,300 | 275 | -1 |
| Bunzl | 154 | 65 | |
| Burmah Castrol | 4,400 | 455 | -41 |
| Burton | 2,000 | 71 | +2 |
| Cable & Wire. | 905 | 412 | |
| Cadbury | 1,200 | 313 | +3 |
| Calor Group | 32 | 236 | -3 |
| Carlton Comms. | 512 | 346 | +14 |
| Coats Viyella | 671 | 105 | |
| Comm. Union | 386 | 473 | -2 |
| [illegible] | | | |
| Inchcape | 131 | 220 | +2 |
| Kingfisher | 2,200 | 376 | |
| Ladbroke | 2,800 | 276 | -4 |
| Land Securities | 541 | 508 | |
| Laporte | 246 | 483 | +8 |
| Legal & General | 746 | 383 | +2 |
| Lloyds Abbey | 393 | 337 | -7 |
| Lloyds Bank | 1,200 | 281 | |
| LASMO | 627 | 448 | -11 |
| Lonrho | 1,300 | 204 | -1 |
| Lucas | 862 | 116 | |
| MB Group | 174 | 168 | +3 |
| [illegible] | | | |
| Royal Insurance | 567 | 394 | -1 |
| STC | 6,300 | 284 | +15 |
| Saatchi | 317 | 33 | +2 |
| Sainsbury | 854 | 367 | |
| Scottish & New. | 586 | 348 | |
| Sears | 1,900 | 84 | +1 |
| Sedgwick | 369 | 197 | +2 |
| Severn Trent Water | 339 | 198 | -6 |
| Shell Transport | 2,800 | 455 | -1 |
| Siebe | 883 | 279 | |
| Slough Ests | 134 | 235 | +1 |
| Smith (W.H.) A | 311 | 363 | +3 |
| [illegible] | | | |
| Wellcome | 518 | 458 | |
| Welsh Water | 562 | 251 | -4 |
| Wessex Water | 42 | 219 | -6 |
| Whitbread 'A' | 413 | 444 | +3 |
| Wiggins Teape | 420 | 158 | -1 |
| Williams Hldgs. | 466 | 220 | -1 |
| Willis Corroon | 3,200 | 191 | |
| Wimpey | 126 | 214 | |
| Yorkshire Water | 516 | 235 | -4 |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

## LONDON SHARE SERVICE

### BRITISH FUNDS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | | |
| [illegible] | | | | | | |
| Five to Fifteen Years | | | | | | |
| [illegible] | | | | | | |
| Over Fifteen Years | | | | | | |
| [illegible] | | | | | | |
| Undated | | | | | | |
| [illegible] | | | | | | |

### BRITISH FUNDS—Contd

| 1990 High | 1990 Low | Stock | Price £ | + or - | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|
| Index-Linked | | | | | | |
| [illegible] | | | | | | |

### INT. BANK AND O'SEAS

[illegible]

### CORPORATION LOANS

[illegible]

### COMMONWEALTH & AFRICAN LOANS

[illegible]

### LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

### FOREIGN BONDS & RAILS

[illegible]

### AMERICANS

| 1990 High | 1990 Low | Stock | Price £ | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### AMERICANS—Contd

| 1990 High | 1990 Low | Stock | Price £ | + or - | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### CANADIANS

[illegible]

Continued on next page

# APPOINTMENTS

## Top posts at Peat Marwick

■ KPMG PEAT MARWICK has made the following senior appointments. Mr Colin Sharman becomes senior south east region partner. He was senior partner in charge of management consultancy. Mr Michael Fowle will have overall responsibility for audit services, a new post. He will continue as chairman of the KPMG international banking and finance group. Mr Bob Simms becomes the first non-accountant to head the management consultancy practice in the south east. He is a professional management consultant who became a consultancy partner in 1985.

■ PORTSMOUTH BUILDING SOCIETY has appointed Mr George McIntosh as head of information technology to oversee a multi-million pound investment programme. He was head of systems, leasing and finance group, Barclays Bank.

■ Mr Bill Price has been appointed executive group chairman of SANITAN. He was managing director of Balterley Bathrooms. Mr David Jones, main board director, has assumed responsibility for contract sales development.

Mr Roger Bannister has been promoted to operations director; Mr Chris Beecham joins as sales director; and Mr Peter Holman joins as financial director and company secretary.

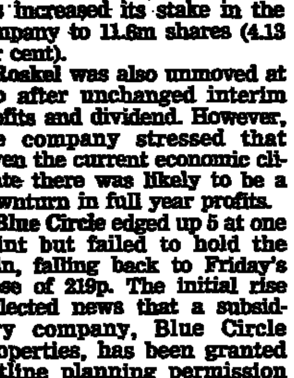
■ F. SMALES & SON (FISH MERCHANTS) has appointed Mr Lee Smales as deputy managing director. His father is chairman and managing director. Mr Robin Orr, company secretary, has been appointed group financial director.

■ Mr Martin David has been appointed managing director of OMV (U.K.)'s London operation. He was a vice president of Occidental International Oil Inc. OMV (U.K.) is a wholly-owned subsidiary of OMV, Austria.

■ Mr Jan Schothorst has been elected president of the ALUMINIUM FEDERATION. He is managing director and chief executive officer of Alusuisse-Lonza (UK).

■ Mr Martin Robinson has been appointed managing director of HENRY COOKE CORPORATE FINANCE, Manchester.

■ Mr Gordon Ratcliffe has been appointed sales and marketing director of the mechanical engineering division of SULZER (UK), Farnborough, Hants. He was head of the Sulzer China operation, based in Hong Kong.

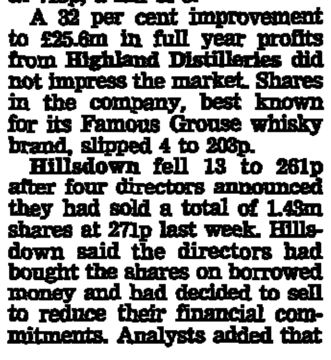


Mr Tony Stoughton-Harris has joined GUARDIAN ROYAL EXCHANGE's main board as a non-executive director. He is executive vice chairman of Nationwide Anglia. Mr Alan Thompson (pictured) has become general manager, UK, for GRE. He will be responsible for non-life business as well as branch network and service centres. He was assistant general manager (UK) responsible for commercial and personal non-life insurance portfolios.

■ LONDON & EDINBURGH INSURANCE GROUP has appointed Mr David Brothwood as deputy managing director, personal lines division.

■ N.K. INTERFACE, Cardiff, has appointed Mr Colin Mitten as managing director. He was director and general manager, industrial division, Huntleigh Technology. N.K. prints business forms and fraud prevention material. It is owned by Nukote Corporation, US.

■ THORN EMI SOFTWARE TECS has appointed Mr Mike Payne as UK marketing director. He was southern region sales manager.



■ Mr Hunter Sinclair (pictured) has been appointed deputy managing director of ANGLO NORDIC POWER GENERATION, Sandwich, Kent. Group subsidiaries include Petbow, and Auto Diesels Power Plant. He also becomes gruppenführer (managing director) of the group's German subsidiary Agreba, which makes diesel powered generating sets. He retains his post as financial director.

# LONDON SHARE SERVICE



## BANKS, HP & LEASING

| 1990 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £13¼ | £9 | ABN Amro F15 | £9¼ | +¼ | Q28% | 2.1 | 9.0 | 5.2 |
| 303 | 161 | ANZ $A1 | 161 | –3 | 44c | 1.4 | 11.7 | 6.0 |
| 233 | 172 | Abbey National 10p | 227½ | –1 | 5.7 | 4.3 | 3.3 | 9.2 |
| *274 | 128 | Allied Irish Ord | 144 | +3 | Q40% | 3.3 | 6.2 | 6.5 |
| 85 | 47 | Anglo Irish | 48 | ...... | hQ18.7% | 2.7 | 8.7 | 6.9 |
| 93 | 61 | Ansbacher (H.) 1p | 66 | ...... | 2.5 | 1.3 | 5.1 | 19.0 |
| £71½ | £32½ | Bancaire Cie Fr100 | £41½ | +2¼ | Q12½% | – | 3.2 | – |
| £22¼ | £13¾ | Banco Bilbao Viz. | £13¾ | ...... | Q49.1% | 2.7 | 5.9 | 9.3 |
| 286 | 136 | Bank Ireland Ir£1 | 144 | +4 | Q14.7% | 2.9 | 9.1 | 5.1 |
| £19½ | £18 | Bank Leumi | £19½ | ...... | – | – | – | – |
| 351 | 320 | Bank Leumi (U.K.) | 350 | ...... | †15.0 | – | 5.7 | – |
| 129½ | 100 | Bank Scotland | 109xd | ...... | †4.55 | 3.4 | 5.6 | 6.9 |
| 100¼ | 83¼ | Do. 9¼pc Irrd Pf. | 99 | ...... | 9¼% | – | 12.5 | – |
| 54 | 39 | Bank of Wales | 49xd | ...... | 2.8 | 0.8 | 7.6 | (23.5) |
| 428 | 290 | Barclays £1 | 354 | +5 | ††19.57 | 3.5 | 7.4 | 4.9 |
| 22 | 11 | Benchmark 20p | 12 | ...... | 0.75 | – | 8.3 | – |
| 335 | 238 | Brown Shipley £1 | 244 | –1 | 12.0 | 2.2 | 6.6 | 7.9 |
| *435 | 285 | Cater Allen £1 | 329 | ...... | R24.5 | – | 10.1 | – |
| 179 | 49 | Chancery | 52 | ...... | 9.0 | 2.7 | 23.1 | 2.1 |
| £23¼ | £15¼ | Commerzbk DM10 | £15¼ | +¾ | Q18% | – | 3.9 | – |
| £13¼ | 620 | Dai Ichi KBk Y50 | 675 | +29 | Q17% | 6.2 | 0.5 | 34.2 |
| *£311½ | £195¾ | Deutsche Bk DM50 | £209 | +4¾ | Q28% | – | 2.2 | – |
| £20¾ | £14¾ | Espirito Santo | £15¼ | +¼ | Q75c | 5.1 | 2.5 | 7.8 |
| 253 | 166 | First Nat. Fin. 10p | 194 | +1 | 13.0 | 2.1 | 8.9 | 6.7 |
| 121 | 83 | FNFC 6.3pc Cv. Pf. | 97 | –1 | 6.3% | – | 8.7 | – |
| £13¼ | 633 | Fuji Bank Y50 | 715 | +29 | Q17% | ♦ | 0.4 | ♦ |
| 325 | 262 | Gerrard & National | 290 | –7 | 19.0 | – | 8.7 | – |
| 154 | 96 | Guinness Mahon 10p | 98 | –1 | 2.1 | – | 2.9 | – |
| 328 | 194 | Hambros 20p | 218 | –7 | 11.5 | – | 7.0 | – |
| 128 | 88 | Do. 7.5pc Cv Pf. | 94 | ...... | 7½% | – | 10.6 | – |
| 53¼ | 31½ | HK & Shang. HK$2.50 | 32 | +½ | ††Q38c | – | 8.0 | – |
| 478 | 378 | Joseph (Leo) £1 | 378 | ...... | 15.85 | – | 5.6 | – |
| 150 | 105 | King & Shaxson 20p | 116 | –2 | 10.25 | – | 11.8 | – |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS – Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICALS – Contd

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING – Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INDUSTRIALS (Miscel.) – Contd.

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## MOTORS, AIRCRAFT TRADES

[illegible]

### Commercial Vehicles

[illegible]

# LONDON SHARE SERVICE

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## MOTORS, AIRCRAFT TRADES – Contd

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY – Contd

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRANSPORT

[illegible]

## INVESTMENT TRUST

[illegible]

## INVESTMENT TRUST – Contd

[illegible]

## INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

[illegible]

## WATER

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS – Contd

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

## MINES – Contd

### Tins

[illegible]

### Miscellaneous

[illegible]

## THIRD MARKET

[illegible]

For Vizcaya Hldgs see MINES Miscellaneous

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ⊕ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ♯♯ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▌ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Craig & Rose £1 γ | 700 | ...... |
| Finlay Pkg. 5p γ | 43xd | ...... |
| Holt (Jos) 25p γ | 1385xd | ...... |

### IRISH

| | | |
|---|---|---|
| Cap. 8½% Ln. 1991 | £98¼ | ...... |
| 9pc Cap Ln. 1996 | £93¾ | ...... |
| Fin. 13% 97/02 | £110½ | +½ |
| Arnotts | 180 | ...... |
| Carrol (P.J.) α | 152 | ...... |
| Hall (R. & H.) | 165 | ...... |
| Helton Hldgs γ | 49 | ...... |
| IRG | 155 | ...... |
| United Drug | 198 | ...... |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 40 |
| Amstrad | 6 |
| Astec (BSR) | 4½ |
| BAT | 45 |
| BOC Grp | 39 |
| BTR | 29 |
| Barclays | 27 |
| Blue Circle | 17 |
| Boots | 21 |
| Bowaters | 41 |
| Brit. Aerospace | 43 |
| British Steel | 13 |
| Brit. Telecom | 22 |
| Cadburys | 26 |
| Charter Cons. | 37 |
| Comm Union | 37 |
| Courtaulds | 25 |
| Eurotunnel | 40 |
| FKI | 5½ |
| FNFC | 20 |
| Gen Accident | 37 |
| GEC | 14 |
| Glaxo | 57 |
| Grand Met. | 44 |
| Guardian | 15 |
| GKN | 27 |
| Hanson | 16 |
| Hawker Sidd. | 39 |
| ICI | 70 |
| Ladbroke | 22 |
| Legal & Gen. | 29½ |
| Lex Service | 28 |
| Lloyds Bank | 21 |
| Lucas Inds. | 11 |
| Marks & Spencer | 18 |
| Midland Bk. | 20 |
| Nat West Bk. | 18 |
| P & O Dfd. | 42 |
| Polly Peck | 40 |
| Racal Elect. | 14 |
| RHM | 25 |
| Rank Org Ord. | 49 |
| Reed Intnl | 30 |
| STC | 19½ |
| Sears | 8½ |
| SmKl. Beecham A | 44 |
| TI | 37 |
| TSB | 10 |
| Tesco | 19 |
| Thorn EMI | 49 |
| Trust Houses | 21 |
| T&N | 14 |
| Unilever | 50 |
| Vickers | 19 |
| Wellcome | 38 |

| Property | |
|---|---|
| Brit Land | 24 |
| Control Secs. | 3½ |
| Land Securities | 42 |
| MEPC | 38 |
| Mountleigh | 11 |

| Oils | |
|---|---|
| Aviva Petlm. | 3½ |
| Brit Petroleum | 28 |
| Burmah Castrol | 44 |
| Conroy Petlm. | 20 |
| Gaelic Res. | 2 |
| Premier | 8½ |
| Shell | 40 |
| Tuskar Res. | 6 |
| Ultramar | 31 |

| Mines | |
|---|---|
| Lonrho | 21 |
| RTZ | 40 |

# FT MANAGED FUNDS SERVICE

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## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071—379—0444.

# FT MANAGED FUNDS SERVICE

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| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Target Trust Mngrs Ltd (1600)F** | | | | | | |
| Target Hse, Gatehouse Rd, Aylesbury, Bucks. | | | | | | |
| Admin: 0296 394000 Dealing: 0296 312156 | | | | | | |
| American Eagle | 5 | 54.41 | 54.41 | 58.18 | +1.16 | 1.32 |
| Australia | 5 | 5.31 | 5.316 | 5.685 | -0.04 | 4.64 |
| Equity | 5 | 139.9 | 139.9 | 150.2 | -0.4 | 5.12 |
| Euro Spec Sits | 5 | 95.98 | 95.98 | 103.1 | +1.2 | 0.67 |
| Financial | 5 | 24.44 | 24.44xd | 26.31 | -0.27 | 5.30 |
| Global Opps Inc | 5 | 56.36 | 56.36 | 60.62 | +0.57 | 0.00 |
| Global Opps Acc | 5 | 56.78 | 56.78 | 61.08 | +0.57 | 0.00 |
| Gold & Gen Inc | 5 | 35.74 | 35.74 | 38.40 | -0.69 | 1.04 |
| Gold & Gen Acc | 5 | 66.61 | 66.61 | 71.57 | -1.28 | 1.04 |
| Income | 5 | 86.88 | 86.88xd | 93.60 | +0.16 | 6.62 |
| Japan & General | 5 | 109.3 | 109.3 | 117.6 | +5.5 | 0.00 |
| Preference Share | 5 | 17.34 | 17.34xd | 18.68 | -0.3 | 14.29 |
| UK Capital | 5 | 76.50 | 76.50 | 82.12 | -0.96 | 1.25 |
| World Income | 5 | 52.01 | 52.01xd | 55.92 | +0.58 | 6.32 |
| Worldwide Capital | 5 | 144.6 | 144.60 | 155.6 | +1.4 | 3.52 |
| **Templeton Unit Trust Managers Ltd (1200)F** | | | | | | |
| Atholl Crescent, Edinburgh EH3 8HA 031 228 3932 | | | | | | |
| Global Growth Acc | 6 | 88.63 | 89.34 | 95.55 | +1.30 | 3.89 |
| Global Growth Inc | 6 | 85.16 | 85.83 | 91.80 | +1.24 | 3.89 |
| Global Balanced Acc | 6 | 90.11 | 90.60 | 96.90 | +1.19 | 5.01 |
| Global Balanced Inc | 6 | 83.94 | 84.41 | 90.27 | +1.11 | 5.01 |
| Value Tst Acc | 6 | 68.05 | 69.12 | 73.92 | +0.66 | 4.56 |
| Value Tst Inc | 6 | 66.35 | 67.39 | 72.08 | +0.65 | 4.56 |
| Intl Pen & Chrties Inc | 2 | 84.78 | 86.05 | 90.34 | ..... | 4.01 |
| Intl Pen & Chrties Acc | 2 | 81.81 | 83.04 | 87.18 | ..... | 4.01 |
| **Thornhill Unit Trust Managers Ltd (1200)F** | | | | | | |
| 28 St John's Sq, London EC1M 4AE 071-251 6767 | | | | | | |
| Capital | 5 | 45.87 | 46.17 | 49.11 | ..... | – |
| Overseas | 5 | 38.43 | 38.62 | 41.08 | ..... | – |
| **Thornton Unit Managers Ltd (1000)F** | | | | | | |
| 33 Cavendish Sq, London W1M 0DH 071-493 7262 | | | | | | |
| Dealing 071-493 8545 | | | | | | |
| American Opps | 5 | 38.54 | 38.54 | 41.10 | +0.98 | 0.27 |
| (Accum Units) | 5 | 39.67 | 39.67 | 42.30 | +0.99 | 0.27 |
| Cash | 0 | 50.60 | 50.60 | 50.60 | +0.05 | 13.71 |
| Accum Units | 0 | 50.60 | 50.60 | 50.60 | +0.05 | 13.71 |
| European Opps | 5 | 56.95 | 56.95 | 60.74 | +0.69 | 0.00 |
| (Accum Units) | 5 | 57.27 | 57.27 | 61.07 | +0.69 | 0.00 |
| Far Eastern Opps | 5 | 96.95 | 96.95 | 103.40 | +1.64 | 0.00 |
| (Accum Units) | 5 | 97.57 | 97.57 | 104.06 | +1.65 | 0.00 |
| Golden Opps | 5 | 27.02 | 27.02 | 28.81 | -0.44 | 0.00 |
| (Accum Units) | 5 | 27.79 | 27.79 | 29.63 | -0.46 | 0.00 |
| Intl Hi-Yield | 5 | 47.37 | 47.37 | 50.52 | +0.99 | 5.45 |
| (Accum Units) | 5 | 51.64 | 51.64 | 55.07 | +1.08 | 5.45 |
| Sanyo Japan Tst | 5 | 57.58 | 57.58 | 61.40 | +2.59 | 0.00 |
| (Accum Units) | 5 | 57.58 | 57.58 | 61.40 | +2.59 | 0.00 |
| Kangaroo | 5 | 22.98 | 22.98 | 24.50 | -0.47 | 1.71 |
| (Accum Units) | 5 | 23.99 | 23.99 | 25.58 | -0.49 | 1.71 |
| Little Dragons | 5 | 34.22 | 34.22 | 36.50 | +0.79 | 0.00 |
| (Accum Units) | 5 | 34.22 | 34.22 | 36.50 | +0.79 | 0.00 |
| Oriental Income | 5 | 27.67 | 27.67xd | 29.51 | +0.49 | 5.93 |
| (Accum Units) | 5 | 32.04 | 32.04xd | 34.16 | +0.57 | 5.93 |
| Tiger | 5 | 107.63 | 107.63 | 114.80 | +1.35 | 0.97 |
| (Accum Units) | 5 | 109.69 | 109.69 | 116.99 | +1.38 | 0.97 |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Murray Johnstone UT Mngmt** | | | | |
| Murray Exempt Funds | | | | |
| Amer Expt Oct 10 | 37.0 | 38.4 | ..... | 2.85 |
| Euro Expt Oct 10 | 45.9 | 48.1 | ..... | 2.72 |
| Fixed Int Ex Oct 10 | 49.7 | 44.8 | ..... | 11.22 |
| Japan Expt Oct 10 | 39.9 | 41.5 | ..... | 0.86 |
| Managed Ex Oct 11 | 37.0 | 38.4 | ..... | 5.28 |
| SE Asia Expt Oct 10 | 52.9 | 55.5 | ..... | 3.59 |
| Sm Cos Expt Oct 10 | 30.6 | 32.1 | ..... | 5.20 |
| UK Eqty Ex Oct 10 | 36.8 | 38.6 | ..... | 4.17 |
| **Phillips & Drew Fund Management Ltd** | | | | |
| Small Co's Oct 9 | 587.8 | 690.6 | ..... | 3.55 |
| Do Accum | 653.7 | 701.2 | ..... | 3.55 |
| Int Expt Oct 10 | 140.7 | 148.0 | ..... | 4.94 |
| UK Index Oct 5 | 955.0 | 975.0 | ..... | 3.25 |
| Do Accum | 1009 | 1029 | ..... | 3.25 |
| Convertible Oct 12 | 76.77 | 79.36 | +0.82 | 9.95 |
| World ex UK Index Oct 8 | 627.6 | 636.0 | ..... | 2.24 |
| Do Accum | 627.6 | 656.9 | ..... | 2.24 |
| Japan Index Oct 8 | 507.8 | 515.2 | ..... | 0.62 |
| Do Accum | 508.8 | 516.1 | ..... | 0.62 |
| USA Index Oct 8 | 718.5 | 723.2 | ..... | 3.68 |
| Do Accum | 728.6 | 733.3 | ..... | 3.68 |
| Europe ex UK Index Oct 8 | 770.6 | 789.4 | ..... | 3.12 |
| Do Accum | 782.6 | 801.6 | ..... | 3.12 |
| Pacific ex Jpn Index Oct 8 | 734.9 | 757.1 | ..... | 5.99 |
| Do Accum | 748.8 | 771.3 | ..... | 5.99 |
| Managed Exempt Oct 10 | 89.43 | 91.07 | ..... | 5.85 |
| American Exempt Oct 10 | 92.60 | 94.20 | ..... | 4.27 |
| European Exempt Oct 10 | 99.15 | 100.4 | ..... | 4.59 |
| Japan Exempt Oct 10 | 103.7 | 104.9 | ..... | 0.75 |
| Pacific Basin Oct 10 | 97.0 | 100.1 | ..... | 4.26 |
| **NM Rothschild Asset Management Ltd** | | | | |
| NC Managed | 51.9 | 55.3xd | +0.6 | 4.57 |
| NC Property | 174.3 | 191.2 | ..... | – |
| **J. Rothschild Fund Managers Ltd** | | | | |
| Intl Exempt Accum | 117.6 | 118.6 | ..... | 4.23 |
| **Stewart Ivory & Co Ltd** | | | | |
| Saints PPP Sept 14 | 231.1 | 243.3 | ..... | 0.00 |
| Closed to new business | | | | |
| **Thornton Unit Managers Ltd** | | | | |
| Managed Exempt Oct 15 | 82.94 | 87.75xd | +0.65 | 4.71 |
| (Accum Units) | 85.24 | 90.18xd | +0.67 | 4.71 |
| **Touche Remnant Unit Tst Mngt Ltd** | | | | |
| TR Exempt European | 885 | 905 | ..... | 2.94 |
| TR Exempt Nth Amer | 677 | 692 | ..... | 4.69 |
| TR Exempt Pac Basin | 639 | 649 | ..... | 1.94 |

## INSURANCES

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **The Life Association of Scotland** | | | | |
| 113 Dundas St, Edinburgh EH3 5EB 031-550 5000 | | | | |
| LAS Investment Assurance | | | | |
| Managed Fund | 212.7 | 223.9 | +0.6 | – |
| UK Equity | 364.8 | 384.0 | -1.3 | – |
| Property | 273.5 | 287.9 | ..... | – |
| Money Market | 200.8 | 211.4 | +0.2 | – |
| Fixed Interest | 223.0 | 234.8 | -0.2 | – |
| Japan | 267.0 | 281.1 | +9.2 | – |
| North America | 85.9 | 90.5 | +1.6 | – |
| International | 164.2 | 172.9 | +2.7 | – |
| European | 162.1 | 170.7 | +2.2 | – |
| Far East | 76.2 | 80.2 | +2.2 | – |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Merchant Investors Assurance Co Ltd – Contd.** | | | | |
| MI Gar European | | 166.0 | +2.1 | – |
| MI Gar British Gwth | | 186.0 | +7.8 | – |
| MI Gar Special Sits | | 109.8 | -0.9 | – |
| MI Gar Smaller Co's | | 138.7 | -1.0 | – |
| MI Gar Australian | | 58.3 | -0.4 | – |
| MI Gar Int Sel Opps | | 85.7 | +0.8 | – |
| MI Gar UK & Int Rec | | 76.9 | +0.3 | – |
| MI Gar Euro Sel Opps | | 114.8 | +1.6 | – |
| MI Gar Am EmerGwth | | 84.8 | +2.1 | – |
| MI Gar Prac Income | | 95.6 | +0.3 | – |
| MI Gar Extra Income | | 99.4 | +1.5 | – |
| MI Gar Pref Share | | 85.2 | +1.4 | – |

## OTHER UK UNIT TRUSTS

Continued on next page

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### National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| Managed | 302.1 | 318.1 | +2.6 | – |
| UK Equity | 384.0 | 405.2 | +3.0 | – |
| Overseas Eq. | 282.0 | 297.7 | +4.2 | – |
| Americas | 201.0 | 211.6 | +3.7 | – |
| Far East | 300.4 | 316.3 | +7.6 | – |
| Property | 189.5 | 199.6 | +0.7 | – |
| Fixed Int. | 230.7 | 242.9 | (z) | – |
| Indexed Gilt | 143.1 | 150.7 | −0.2 | – |
| Deposit | 170.9 | 179.9 | +0.1 | – |
| Pension Fund (Accum Units) | | | | |
| Managed | 417.9 | 439.9 | +3.5 | – |
| UK Equity | 489.7 | 515.9 | +4.0 | – |
| Overseas Eq. | 466.0 | 490.2 | +7.9 | – |
| Americas | 267.9 | 282.0 | +4.8 | – |
| Far East | 501.0 | 527.4 | +12.3 | – |
| Property | 232.4 | 245.1 | +1.1 | – |
| Fixed Int. | 279.7 | 294.5 | (z) | – |
| Indexed Gilt | 157.3 | 165.6 | −0.2 | – |
| Deposit | 234.4 | 246.8 | +0.3 | – |
| NPI Pensions Management Ltd | | | | |
| Managed Fund | 908.9 | 925.1 | — | – |

Prices Oct. 3 Next dealing Nov 1

### Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| NUAM Funds | | | | |
| Managed Fund | 61.0 | 64.2 | +0.5 | – |
| Stock Market Mngr Fund | 57.3 | 60.3 | +0.8 | – |
| Equity Fund | 66.2 | 69.7 | +0.6 | – |
| International Fund | 49.3 | 51.9 | +1.0 | – |
| European Fund | 60.6 | 63.8 | +0.8 | – |
| North American Fund | 46.3 | 48.7 | +1.0 | – |
| Pacific Fund | 50.4 | 53.0 | +1.0 | – |
| Property Fund | 87.4 | 92.0 | — | – |
| Fixed Interest Fund | 52.2 | 55.0 | −0.1 | – |
| Index linked Sec Fund | 58.1 | 61.2 | — | – |
| Deposit Fund | 65.5 | 69.0 | — | – |
| NUAM Retirement Plans | | | | |

### Providence Capital Life Assc. Co Ltd — Contd.

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| Total Investment Bond | | | | |
| UK Equity Initial | | 131.9 | +1.7 | – |
| UK Fixed Int Initial | | 106.9 | −0.2 | – |
| Intl Equities Initial | | 100.1 | ... | – |
| UK Managed Initial | | 105.6 | +0.5 | – |
| Property Initial | | 164.3 | — | – |
| Money Initial | | 83.8 | ... | – |
| Special Market Initial | | 93.8 | +0.6 | – |
| Japan Equity Initial | | 73.0 | +2.7 | – |
| North American Initial | | 60.6 | +1.9 | – |
| Pacific Initial | | 98.5 | +0.8 | – |
| Technology Initial | | 79.7 | −0.4 | – |
| Nat Resources Initial | | 46.4 | −0.4 | – |
| European Initial | | 81.6 | +0.9 | – |
| Residential Prop Init. | | 93.9 | −0.1 | – |
| Swiss Equities Initial | | 30.1 | +0.2 | – |
| Hong Kong Initial | | 42.6 | +0.3 | – |
| UK High Inc Eq Init. | | 60.0 | +1.2 | – |
| Int. Fixed Interest Init. | | 49.0 | — | – |
| Intl Managed Init. | | 48.6 | ... | – |
| HIP Managed Init. | | 95.1 | −0.4 | – |
| HIP Managed II Initial | | 84.5 | +0.5 | – |
| Broker Funds | | | | |
| High Performance | 59.7 | 62.9 | −0.3 | – |
| Towerhill Mngd Fd Acc | 38.2 | 40.2 | −0.4 | – |
| YRA Executive Fd. | 81.4 | 85.8 | +1.4 | – |
| £ Global Growth Acc | 107.7 | 113.6 | ... | – |
| £ High Income Money Acc | 131.7 | 138.9 | +0.1 | – |
| JM Balanced | | 45.9 | +0.2 | – |
| H F Speculator Fd. | | 112.8 | −0.1 | – |
| PEP Acorn II | | 102.5 | ... | – |
| PEP Cautionary | | 66.9 | +0.1 | – |
| AAFS Int Man Fund | | 108.9 | +0.3 | – |
| Andrews-Green Inv Port | | 76.5 | −0.3 | – |
| Individual Pension Funds | | | | |
| UK Equity Acc. | 208.1 | 219.6 | +3.0 | – |
| UK Fixed Interest Acc. | 193.7 | 204.4 | −0.1 | – |
| Intl Equities Acc. | 186.3 | 196.6 | ... | – |

### Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| North American Equity $ | $7.56 | 8.14 | — | – |
| Pacific Equity $ | $7.06 | 7.60 | — | – |
| Intl Currency $ | $4.24 | 4.57 | — | – |
| Intl Bond Fund $ | $6.81 | 7.33 | — | – |
| Gilt Fund £ | £3.92 | 4.22 | — | – |
| US Dollar Mngd Fd $ | $1.54 | 1.66 | — | – |
| Stg Managed Fd £ | £1.01 | 1.09 | — | – |

### Target International Group
1 rue Emile Bian, Luxembourg Tlx 2909 Tel 4050751

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| Sterling Pens Plan | £0.71 | 0.77 | — | – |
| US Dollar Pens Plan | $0.65 | 0.70 | — | – |
| Yen Pens Plan | Y230 | 246 | — | – |
| Ecu Pens Plan | Ecu0.62 | 0.68 | — | – |
| Sterling Man Fd. | £1.05 | 1.12 | — | – |
| Sterling Fixed Int Fd. | £1.52 | 1.61 | — | – |
| US Dollar Man Fd. | $1.17 | 1.24 | — | – |
| US Dollar Fixed Int Fd. | $1.40 | 1.48 | — | – |
| Ecu Bond Fd. | Ecu1.08 | 1.14 | — | – |
| Davenport Chdeck £ Fd. | £0.76 | 0.82 | — | – |
| Davenport Chdeck $ Fd. | $0.50 | 0.55 | — | – |
| Davenport Chad £ F I | £1.07 | 1.16 | — | – |
| LWI Universal Stg Mngd | £0.76 | 0.78 | — | – |
| LWI Universal $ Mngd | $0.63 | 0.65 | — | – |
| Matheson £ Pens | £0.73 | 0.76 | — | – |
| Matheson $ Pens | $0.79 | 0.84 | — | – |
| EDN MIM £ | £0.83 | 0.90 | — | – |
| EDN MIM $ | $0.94 | 1.01 | — | – |
| Royal Wessex Fund | £0.71 | 0.745 | — | – |
| Wessex Special Sits | £0.99 | 1.035 | — | – |
| Proleco $ Managed | $0.92 | 0.957 | — | – |
| Proleco £ Managed | £0.97 | 1.015 | — | – |
| Argent Stg Blncd | | £10.51 | — | – |
| Argent Stg Eqty Gth | | £10.95 | — | – |

### J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| Target Mngd Bond | 184.4 | 194.2 | — | – |
| Target Mngd Pension | 111.9 | 117.8 | +0.1 | – |
| Albany Life Acc | 165.5 | 174.2 | +1.0 | – |
| Albany Pens Acc | 204.9 | 215.7 | +1.7 | – |

# OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

### Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 295 4000

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|---|---|
| Orion | | $– | 9.8907 | | — | – |

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)

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| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Baring Int Fund Managers Guernsey Ltd** | | | | |
| Magl Portfolio (DHr) | $9.45 | 10.08 | −0.07 | − |
| Magl Portfolio (Stg) | £3.57 | 3.82 | −0.08 | − |
| **Baring Currency Fund Ltd** | | | | |
| US Dollar | | $14.48 | | − |
| Sterling | | £17.56 | | − |
| Deutschemark | | DM37.80 | | − |
| Japanese Yen | | Y3,780 | | − |
| Managed | $47.38 | 43.65 | | − |
| **Dantrust Management (Guernsey) Ltd** | | | | |
| Dantrust Limited | DKr115.30 | 115.50 | − | − |
| **Fipart-Cassell Fund Mngrs (Guernsey) Ltd** | | | | |
| [illegible] | $T7.82 | 7.89 | − | 1.89 |
| **John Govett Mngmt International Ltd** | | | | |
| Govett High Inc Gilt | £0.3482 | 0.3692 | −0.0001 | 14.08 |
| Govett Far East Inv | $0.868 | 0.928 | +0.003 | − |
| Energy & Resources | $0.675 | 0.719 | −0.001 | − |
| **Hambros Fund Managers (CI) Ltd** | | | | |
| Japanese OTC | $8.9379 | 9.5036 | +1.572 | − |
| **Havelet Throgmorton Mngmt Ltd** | | | | |
| Intl Inv–Stg High Inc | £9.915 | 10.494 | − | 10.09 |
| Intl Inv–Intl High Inc | $48.525 | 51.118 | − | 5.54 |
| **Henderson Admin. (Guernsey)** | | | | |
| [illegible] | £0.908 | − | − | − |
| Balanced Grth $ Prtflo | $1.780 | 1.897 | −0.002 | − |
| Balanced Grth £ Prtflo | £1.025 | 1.101 | −0.004 | − |
| Select Mkts $ Prtflo | $1.828 | 1.978 | +0.002 | − |
| Inc & Grth $ Prtflo | $1.648 | 1.755 | − | − |
| High Income £ Prtflo | £0.593 | 0.627 | −0.001 | − |
| **Hill Samuel Fd. Mngrs. (Guernsey) Ltd** | | | | |
| Guernsey Tst | 64.22 | 70.82 | +0.93 | 2.73 |

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Sarasin (Isle of Man) Ltd** | | | | |
| Fergus Fd Oct 11 | | £11.58 | − | − |
| UK Trend Oct 11 | | £8.50 | − | − |
| **Target International (Isle of Man) Ltd** | | | | |
| [illegible] Offshore Fd | £7.79 | 8.43 | − | − |
| Fleet Street Inv Fd | £7.03 | 7.48 | − | − |
| Offshore Income Fd Ltd | £8.89 | 9.95 | − | − |
| [illegible] | £8.99 | 9.49 | − | − |
| Tattersall Intl Assets | £6.41 | 6.60 | − | − |
| **Tyndall International (Isle of Man) Ltd** | | | | |
| R.J. Gilt/Building | 99.6 | − | − | − |
| (Accum Shares) | 158.6 | 166.7 | −0.2 | − |
| **Unibank Scandinavian Fund Ltd** | | | | |
| Scandinavia Fd | 164.22 | 174.76 | − | 1.0 |

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)

## IRELAND (SIB RECOGNISED)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

### MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# High yielders fall from favour

STERLING AND the Australian dollar weakened yesterday, while the US dollar improved against European currencies but fell to its lowest level for 19 months against a very strong Japanese yen.

The pound's honeymoon period as a full member of the European Monetary System appeared to have lasted just one week. It fell to a low of DM2.9650 yesterday, with dealers divided on the factors behind the fall. Some suggested it was a move out of high yielding currencies after a cut in Australian interest rates, while others said Britain's economic problems made sterling's present value look high.

Mr John Major, UK chancellor of the exchequer, told parliament he is confident that a central rate of DM2.95 for the pound is sustainable. He also said that Britain will maintain a tight monetary stance in spite of clear signs that inflationary pressures are easing. He stressed that further interest rate reductions will not be made until he is satisfied that conditions warrant them.

At the London close sterling was above the day's lows, but had weakened to DM2.9750 from DM2.9950 and was about 7¼ pfennigs below the levels touched when it first joined the EMS exchange rate mechanism last week.

The pound fell to FFr9.9675 from FFr10.0375; to SFr2.5150 from SFr2.5225; and to Y250.25 from Y254.00. Against the dollar it lost 2.05 cents to $1.9535. Sterling's index shed 1.1 to 94.9. Within the ERM the pound finished exactly 1 per cent above its central rate against the weakest placed Italian lira, compared with 1.98 per cent on Friday.

In New York, sterling ended 40 points lower at $1.9495.

High yielding currencies have lost some of their lustre after the recent reduction in UK bank base rates and yesterday's cut in the Reserve Bank of Australia's money market intervention rate to 13 from 14 per cent. Mr Paul Keating, Australian treasurer, was not unhappy that this hit the local currency. He said that a weakening of the US dollar and diminishing confidence in Tokyo had encouraged money into Australia.

At the Sydney close the Australian dollar had fallen to 79.70 US cents from 81.80. It continued to decline in London, finishing at 79.00 cents.

The Canadian dollar also suffered from the general weakening of high yielding currencies. In London the US dollar rose to C$1.1520 from C$1.1475.

The yen benefited from a general flow of capital into Tokyo and from continuing concern about the weakness of the US economy.

In London the dollar closed at Y128.15, against Y128.65, the lowest level since March 3 last year, but it firmed against European currencies in quiet trading. It rose to DM1.5230 from DM1.5170; to FFr5.1025 from FFr5.0850; and to SFr1.2875 from SFr1.2780. The dollar's index put on 0.1 to 60.6.

### £ IN NEW YORK

| Oct.15 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.9490-1.9500 | 1.9670-1.9680 |
| 1 month | 1.00-0.98pm | 0.93-0.91pm |
| 3 months | 2.62-2.59pm | 2.56-2.53pm |
| 12 months | 8.20-8.10pm | 8.12-8.02pm |

Forward premiums and discounts apply to the US dollar

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Oct. 15 | % change from central rate | % spread vs weakest narrow band currency | Divergence indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 129.599 | -3.02 | 3.59 | 53 |
| Sterling | 0.696904 | 0.693222 | -0.53 | 1.00 | 10 |
| Belgian Franc | 42.4032 | 42.4564 | 0.13 | 0.34 | -3 |
| Irish Punt | 0.767417 | 0.768563 | 0.15 | 0.32 | -4 |
| French Franc | 6.89509 | 6.90632 | 0.16 | 0.30 | -5 |
| German D-Mark | 2.05586 | 2.06141 | 0.27 | 0.20 | -13 |
| Danish Krone | 7.84195 | 7.86596 | 0.31 | 0.16 | -11 |
| Dutch Guilder | 2.31643 | 2.32385 | 0.32 | 0.15 | -12 |
| Italian Lira | 1538.24 | 1545.44 | 0.47 | 0.00 | [illegible] |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

## FINANCIAL FUTURES AND OPTIONS

### CAC-40 FUTURES (MATIF) Stock index

| | Open | Close | Change | High | Low | Open Int. |
|---|---|---|---|---|---|---|
| October | 1610.0 | 1605.0 | +16.0 | 1624.0 | 1587.5 | 11,252 |
| November | 1615.0 | 1610.0 | +16.5 | 1627.5 | 1599.0 | 1,049 |
| December | 1620.0 | 1620.0 | +21.0 | 1620.0 | 1620.0 | 440 |
| March | - | - | - | - | - | 0 |

Estimated volume 10,344 Total Open Interest 12,741

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 14 | Coutts & Co | 14 | NatWestminster | 14 |
| Adam & Company | 14 | Cyprus Popular Bk | 14 | Northern Bank Ltd | 14 |
| Allied Trust Bank | 14 | Dunbar Bank PLC | 14 | Nykredit Mortgage Bank | 15½ |
| AIB Bank | 14 | Duncan Lawrie | 14 | Provincial Bank PLC | 16 |
| ● Henry Ansbacher | 14 | Equatorial Bank plc | 14 | Roxburghe Bank Ltd. | 15½ |
| Associates Cap Corp | 15½ | Exeter Trust Ltd | 14½ | Royal Bk of Scotland | 14 |
| ● B & C Merchant Bank | 14 | Financial & Gen. Bank | 14 | Royal Trust Bank | 14 |
| Bank of Baroda | 14 | First National Bank Plc. | 16½ | ● Smith & Williamson Secs. | 14 |
| Banco Bilbao Vizcaya | 14 | ● Robert Fleming & Co. | 15 | Standard Chartered | 14 |
| Bank Credit & Comm | 14 | Robert Fraser & Ptrs. | 14½ | TSB | 14 |
| Bank of Cyprus | 14 | Girobank | 14 | Unibank plc | 14 |
| Bank of Ireland | 14 | ● Guinness Mahon | 14 | ● United Bk of Kuwait | 15 |
| Bank of India | 14 | HFC Bank plc | 14 | United Mizrahi Bank | 14 |
| Bank of Scotland | 14 | ● Hambros Bank | 14 | Unity Trust Bank Plc | 14 |
| Banque Belge Ltd | 14 | Hampshire Trust Plc | 15½ | Western Trust | 14 |
| Barclays Bank | 14 | Heritable & Gen Inv Bnk. | 14 | Westpac Bank Corp. | 14 |
| Benchmark Bank | 15 | ● Hill Samuel | 14 | Whiteaway Laidlaw | 14 |
| Brit Bk of Mid East | 14 | C. Hoare & Co. | 14 | Yorkshire Bank | 14 |
| ● Brown Shipley | 14 | Hongkong & Shangh | 14 | | |
| CL Bank Nederland | 14 | ● Leopold Joseph & Sons | 14 | | |
| ● Charterhouse Bank | 14 | Lloyds Bank | 14 | | |
| Citibank NA | 14 | Meghraj Bank Ltd | 14 | | |
| City Merchants Bank | 14 | McDonnell Douglas Bnk. | 14 | | |
| Clydesdale Bank | 14 | Midland Bank | 14 | | |
| Comm. Bk. of London Plc | 14 | Mount Banking | 14 | | |
| Co-operative Bank | *14 | Nat Bk. of Kuwait | 15 | | |

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.1% Sawaise 7.7%. Top Tier-£50,000+ instant access 13.7% § Mortgage base rate.

## MONEY MARKETS

# London rates firmer

WHOLESALE INTEREST rates rose in London yesterday as sterling lost ground on the foreign exchanges, but there was little reaction to news of a 0.5 per cent rise in September UK retail sales. The figure compared with a revised fall of 1.6 per cent in August. It was roughly in line with market forecasts, and over a three monthly period the trend in sales was down.

Three-month sterling interbank rose to 13¾-13⅝ per cent from 13⅝-13¾, while 12-month money firmed to 13⅛-13 per cent from 13-12⅞.

**UK clearing bank base lending rate 14 per cent from October 8, 1990**

Short sterling futures also reacted to the weakness of the pound. On Liffe December delivery opened down at 86.79 and touched a low of 86.72, before closing at 86.74 compared with 86.84 on Friday.

Day-to-day credit was in very short supply on the London money market. The Bank of England initially forecast a shortage of £1,200m, but revised this to £1,350m during the morning and to £1,550m at noon. In the afternoon the shortage was finally revised to £1,500m.

Total help of £1,493m was given. An early round of assistance was offered and at that time the authorities bought £309m bank bills outright in band 2 at 13¾ per cent. Before lunch another £714m bills were purchased, by way of £5m Treasury bills in band 1 at 13⅞ per cent; £99m bank bills in band 1 at 13⅞ per cent; and £610m bank bills in band 2 at 13⅞-13¾ per cent.

In the afternoon £295m bills were bought, via £134m Treasury bills in band 1 at 13⅞ per cent and £161m bank bills in band 1 at 13⅞ per cent. Late assistance of around £175m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £424m, with exchequer transactions absorbing £1,115m and bank balances below target £210m. These outweighed a fall in the note circulation adding £55m to liquidity.

In Sydney money market rates fell after the Reserve Bank of Australia cut its intervention rate by 1 per cent to 13 per cent.

In Madrid the Bank of Spain left its money market intervention rate at 14.65 per cent at an auction of central bank certificates.

In Amsterdam the Dutch Central Bank kept its rate for special advances at 8 per cent when providing Fl 4.97bn of eight-day funds. This replaced a five-day facility of Fl 5.47bn.



## COMPANY NOTICES

**DIMOSIA EPIHIRISIS ELEKTRISMOU**
(Public Power Corporation)

U.S. $50,000,000
Floating Rate Notes due 1994

NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 17th October, 1990, the Notes will bear interest at the rate of 8⅛% per annum. The interest payable on 17th April, 1991 against Coupon No. 17 will be U.S.$21,328.13 per U.S. $500,000 Note.

Fiscal Agent
ROYAL BANK OF CANADA EUROPE LIMITED

**ESB Fund Managers Limited, Dublin, Ireland, announce the appointment of Mr. Tim O'Grady Walshe as non-executive director. Mr. O'Grady Walshe was formerly General Manager of the Central Bank of Ireland.**

## MONEY MARKET FUNDS

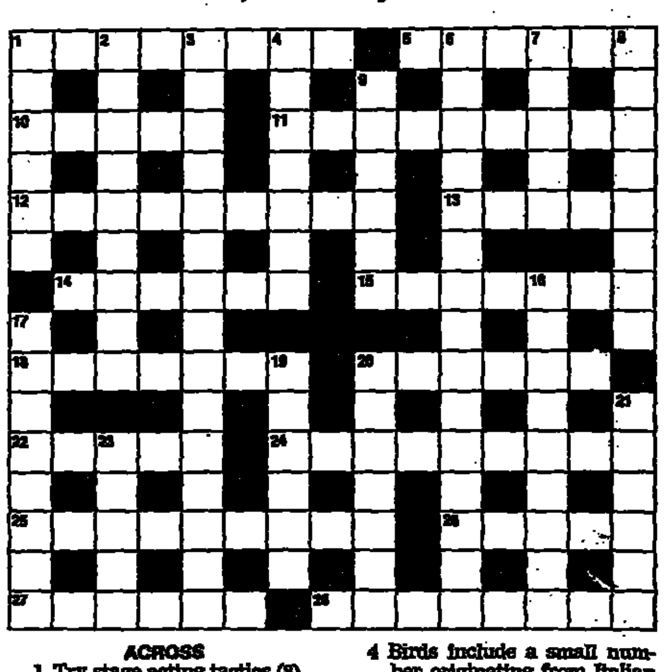
### Money Market Trust Funds

### Money Market Bank Accounts

## JOTTER PAD

## CROSSWORD

No.7,368 Set by MUTT



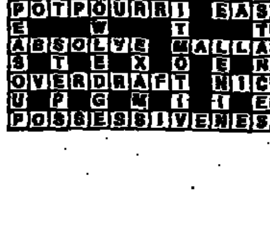
**ACROSS**

1 Try stage acting tactics (8)
2 Frenchwoman perhaps has poem translated initially by Lawrence (6)
10 What's that dog does a turn in a ruffle? (5)
11 Incline to agree? – you don't say so! (3,6)
12 Having no belief, Seth fails abysmally (9)
13 A girl with elegance (5)
14 One of five at church bring fruit (6)
15 An entertaining character could be mine without much mistake (7)
18 Put up with upright little man (7)
20 Resettlement for a number with roots in old Russian city (6)
22 It could be rhyming as in 1 down (5)
24 Got up again to be fixed in a new setting (9)
25 Impudent, having no vestige of 6 (4-5)
26 Swallows hastily in bars (5)
27 Bear close to the river (6)
28 Kind of rough stone in Derbyshire (8)

**DOWN**

1 Cockney's missus having trouble with this? (6)
2 Coarse about city bird having integrity (9)
3 Ten-foot high grot could be a potentially rewarding objective (3,5,2,2,3)
4 Birds include a small number originating from Italian port (7)
6 Controlled natural growth on a male deer but blessing in disguise (8,7)
7 That's the thanks one gets from a Greek character (6)
8 Appeal to take food in the lobby (8)
9 Tots for a churchman to drink (4,2)
16 Accommodation available for small marsupial and Frenchman – there's no one in the loo (4,2,3)
17 Wise to be in less trouble (8)
19 Dreadful cat ignoring a command (6)
20 Change the shape of a 60s teenager going into a dance (7)
21 Better than even a peculiar relative (4-2)
23 Ventilated anger in publicity (5)

Solution to Puzzle No.7,367



# WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY (continued) | GERMANY | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | HONG KONG | AUSTRALIA | AUSTRALIA (continued) | MALAYSIA | SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

## CANADA

### TORONTO
*Closing prices October 15*

Quotations in cents unless marked $.

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 7125 | Abitibi Pr | $13⅝ | 13⅜ | 13½ | − ⅛ |
| 8200 | Agnico E | $6¼ | 6 | 6 | − ¼ |
| 25190 | Albrta En | $18 | 17½ | 17½ | − ⅝ |
| 850 | Albrta N | $12 | 12 | 12 | − ½ |
| 187825 | Alcan | $21⅞ | 21½ | 21¾ | + ⅜ |
| 628785 | A Barrick | $21 | 20⅞ | 20⅞ | − 1⅛ |
| 2800 | Alco I I | $10 | 10 | 10 | |
| 200578 | BCE Inc | $36¼ | 35½ | 35⅞ | + ⅛ |
| 3000 | BCE D | 13 | 12 | 13 | + 1 |
| 11500 | BCE Mobl | $15½ | 15¼ | 15⅜ | − ⅛ |
| 3000 | BC Sugar A | $14⅝ | 14⅝ | 14⅝ | + ⅛ |
| 900 | BGR A | $8⅞ | 8⅞ | 8⅞ | − ⅛ |
| 4228 | BP Canada | $19 | 18¾ | 19 | − ⅛ |
| 84010 | Bk Montl | $26¼ | 26 | 26⅛ | + ⅛ |
| 122847 | Bk NScot | $11⅝ | 11½ | 11½ | + ⅛ |
| 3000 | Belmoral | 18 | 18 | 18 | |
| 200 | Bombdr A | $15 | 15 | 15 | |
| 63750 | Bombdr B | $14¾ | 14½ | 14½ | − ⅛ |
| 104777 | Bow Valy | $15⅛ | 15 | 15⅛ | − ¼ |
| 10800 | Bramalea | $6 | 6 | 6 | |
| 23700 | Brascan A | $14¾ | 14½ | 14⅝ | − ⅛ |
| 130500 | Briwater | 80 | 73 | 78 | − 4 |
| 22600 | BC Phone | $17⅛ | 17 | 17 | |
| 4572 | Brunsor | $15⅞ | 15¾ | 15⅞ | + ⅛ |
| 69604 | CAE | $5 | 490 | 495 | −5 |
| 100 | CCL B f | $7¼ | 7¼ | 7¼ | + ⅛ |
| 300 | CFCF | $9 | 9 | 9 | − ⅛ |
| 24800 | Cambior | $11½ | 10½ | 10½ | − 1⅛ |
| 3623 | Cambridg | $20⅞ | 20⅞ | 20⅞ | |
| 5000 | Camp Res | 55 | 55 | 55 | |
| 1052 | Camp Soup | $19⅝ | 19⅝ | 19⅝ | + ⅛ |
| 17000 | Campeau f | 86 | 82 | 86 | + 4 |
| 24500 | C Nor West | 135 | 115 | 115 | − 20 |
| 2378 | C Packrs | $9⅞ | 9¾ | 9⅞ | + ⅛ |
| 41000 | C Exprss f | 29½ | 29 | 29 | − ½ |
| 170058 | CI Bk Com | $22⅞ | 22⅜ | 22⅝ | + ⅛ |
| 9200 | C Occdental | $16⅞ | 16⅝ | 16¾ | + ⅛ |
| 170775 | CP Ltd | $18 | 17⅝ | 17⅞ | + ⅛ |
| 81370 | CTire A f | $20 | 19⅞ | 20 | + ⅛ |
| 1880 | CUtil A f | $19⅝ | 19¼ | 19⅝ | |
| 100 | CUtil B | $20 | 20 | 20 | + ¼ |
| 200 | Cantor | $21⅛ | 21⅛ | 21⅛ | |
| 500 | Cara | $14½ | 14½ | 14½ | |
| 2900 | Cascades | 350 | 340 | 340 | − 10 |
| 107 | Celanese | $30¾ | 30½ | 30¾ | |
| 28850 | Cen Capital | $7½ | 7¼ | 7½ | + ¼ |
| 101400 | CanCap A | 435 | 420 | 435 | + 15 |
| 2400 | CanFd A | $5¼ | 5 | 5 | |
| 1300 | C Guar Trc | $7⅛ | 7⅛ | 7⅛ | |
| 33000 | Charan | 5 | 4 | 5 | + 2 |
| 500 | Chieftan | $23¼ | 23¼ | 23¼ | − 1⅛ |
| 50 | CHUM B f | $17 | 17 | 17 | |
| 17850 | Cineplex | 296 | 271 | 296 | + 20 |
| 3384 | TCC Bev | $10⅜ | 10⅛ | 10⅛ | − ¼ |
| 11557 | Cominco | $20⅛ | 19⅞ | 20⅛ | − ⅛ |

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 86300 | Con TVX | 450 | 405 | 425 | − 25 |
| 2300 | Cnsum Gas | $33 | 29⅞ | 30 | + ⅛ |
| 250 | Cnsum Pkg | $8 | 8 | 8 | |
| 2847 | Conwst B | $14 | 13⅝ | 13⅝ | − ⅛ |
| 494215 | Corona A f | $8 | 5¼ | 5¼ | − ⅛ |
| 34100 | Coscan | $5¼ | 5 | 5 | |
| 4500 | Crownx | $8 | 8 | 8 | − ½ |
| 21097 | Crownx A f | 400 | 380 | 385 | − 5 |
| 4800 | Denison A | 101 | 100 | 100 | − 8 |
| 4186 | Denison B f | 92 | 92 | 92 | |
| 2300 | Derlan | $8⅞ | 8⅞ | 8⅞ | |
| 25295 | Dofasco | $17¼ | 17 | 17⅛ | − ⅛ |
| 1500 | D Textile | $8⅛ | 8¼ | 8⅛ | − ⅛ |
| 400 | Du Pont A | $24 | 24 | 24 | |
| 2400 | Dylex A | 260 | 250 | 250 | |
| 140500 | Echo Bay | $13⅛ | 12⅞ | 12⅞ | − 1⅛ |
| 31600 | Emco | $5¾ | 5½ | 5½ | − ¼ |
| 7100 | EquityGv A | 82 | 82 | 82 | + 1 |
| 1300 | FPI Ltd | 430 | 420 | 430 | + 15 |
| 168 | Fin Trsco | 9 | 9 | 9 | |
| 5700 | Fed Ind A | $8⅞ | 8⅞ | 8⅞ | + ⅛ |
| 20500 | FCity Fin | $5⅛ | 5⅛ | 5⅛ | − ⅛ |
| 40200 | FMdramA f | $5½ | 5¾ | 5½ | |
| 1980 | Fortis | $19⅞ | 19⅞ | 19⅞ | |
| 100 | FourSeasn f | $14 | 14 | 14 | |
| 20100 | Franco o | $14¼ | 12¾ | 13 | − 1½ |
| 17000 | Galactic | 210 | 198 | 195 | − 20 |
| 1000 | Gandalf | 280 | 280 | 280 | |
| 100 | Gendis A | $19 | 19 | 19 | |
| 750 | G Trstco p | $18½ | 18½ | 18½ | |
| 300 | Giant Yk | $5¼ | 5⅛ | 5⅛ | − ½ |
| 24000 | Glamis | 288 | 286 | 286 | − 4 |
| 16900 | Goldcorp f | 450 | 440 | 440 | − 10 |
| 3800 | Gld Knight | $10¾ | 10⅝ | 10¾ | − ¼ |
| 18000 | Granges | 125 | 125 | 125 | |
| 3137 | Greyhnd | $29 | 29 | 29 | + ⅛ |
| 27661 | Gulf Res | $15⅛ | 15⅛ | 15⅛ | − ¼ |
| 24200 | Haley | 215 | 215 | 215 | |
| 800 | Hawker | $20 | 20 | 20 | − ⅛ |
| 3916 | Hayes D | $11¼ | 11⅛ | 11⅛ | − ⅛ |
| 24900 | Hees Intl | $14⅞ | 13⅞ | 13¾ | − ⅜ |
| 105114 | Hemlo | $9⅞ | 9⅝ | 9⅝ | − ⅛ |
| 385 | Hollingr | $10⅝ | 10⅝ | 10⅝ | |
| 40200 | Horsham f | $7⅝ | 7¼ | 7¼ | − ⅛ |
| 2292 | H Bay Co | $16¼ | 16 | 16 | |
| 35900 | Imasco L | $30¼ | 30 | 30 | − ⅛ |
| 34082 | Imp Oil A | $62 | 61⅛ | 61½ | − ⅜ |
| 183678 | Inco | $28¼ | 27½ | 28⅛ | + ⅛ |
| 2000 | Inspeco | 330 | 330 | 330 | + 5 |
| 1171 | Interhome | $47¾ | 47¼ | 47¼ | − ⅛ |
| 1473 | Ivaco A f | $8⅞ | 8¼ | 8¼ | + ⅛ |
| 58200 | Jannock | $11⅞ | 11½ | 11¾ | + ⅛ |
| 611 | Kerr Add | $15½ | 15½ | 15½ | − ⅛ |
| 13381 | Labatt | $19⅝ | 19½ | 19½ | − ⅛ |
| 128220 | Lac Mnrls | $9⅝ | 9⅛ | 9½ | − ⅛ |
| 11125 | Laidlaw A | $19¼ | 19 | 19¼ | + ¼ |
| 420858 | Laidlw B f | $19⅛ | 18⅞ | 19 | + ¼ |
| 400 | Laur Bk | $15 | 15 | 15 | |
| 3807 | LoewnM A | $8⅝ | 8⅛ | 8½ | − ⅛ |
| 50300 | Loblaw Co | $17⅛ | 17¼ | 17¼ | |

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 2700 | MDS A | $13¼ | 13⅛ | 13¼ | |
| 37800 | Mac Kenzie | $6 | 5¾ | 5⅞ | |
| 10055 | Macmillan | $18⅝ | 18¼ | 18¼ | − ⅛ |
| 10600 | Magna A f | 275 | 260 | 260 | − 10 |
| 3151 | Maritime f | $17 | 17 | 17 | + ⅛ |
| 1542 | Mark Res | $11 | 10⅞ | 10⅞ | − ⅛ |
| 500 | Metall M | $11⅛ | 11 | 11⅛ | − ⅛ |
| 292 | Minnova | $16 | 16 | 16 | |
| 850 | Mitel Corp | 180 | 180 | 180 | − 7 |
| 2843 | Molson A f | $28⅞ | 28⅝ | 28¾ | + ⅛ |
| 116851 | Moore | $28⅝ | 28¼ | 28½ | + ⅛ |
| 10800 | Musicpho | 10 | 10 | 10 | |
| 69076 | Nat Bk Can | $7¾ | 7½ | 7⅝ | |
| 1125 | NewTel Ent | $15 | 14⅞ | 15 | |
| 2520 | Noma A | 450 | 440 | 440 | − 10 |
| 25500 | Noranda F | $8 | 7¾ | 7¾ | − ⅛ |
| 56350 | Noranda | $16¼ | 15⅞ | 15⅞ | − ⅛ |
| 14400 | Norcen | $26¾ | 26¼ | 26¼ | − ½ |
| 12975 | Norcn A f | $24⅜ | 24⅛ | 24⅛ | − ¼ |
| 3033 | NC Oils | $16½ | 16½ | 16½ | − ¼ |
| 126862 | Nor Tel | $27⅛ | 26⅝ | 26⅝ | + ⅛ |
| 6000 | Northgat | 330 | 320 | 330 | − 10 |
| 363721 | Nova f | $7⅝ | 7½ | 7½ | − ⅛ |
| 17900 | Nowsco W | $15⅞ | 15⅞ | 15⅞ | |
| 18100 | Numac | $6¼ | 6 | 6 | |
| 5000 | Oselot B f | $7¼ | 7 | 7⅛ | + ⅛ |
| 800 | Omega Hyd | 375 | 375 | 375 | − 10 |
| 3500 | Onex f | $6½ | 6 | 6 | |
| 30100 | PWA Corp | $7¾ | 7⅝ | 7⅝ | + ⅛ |
| 34300 | Pgurin A f | $6⅛ | 6 | 6⅛ | + ⅛ |
| 200 | Pamour | 125 | 125 | 125 | |
| 100058 | PanCan P | $29¾ | 29½ | 29½ | − ⅛ |
| 53600 | Pegasus | $13¼ | 12⅞ | 12⅞ | − ⅜ |
| 1000 | Pioneer M | 5 | 5 | 5 | |
| 424007 | Placer Dm | $17⅝ | 17 | 17⅛ | − ⅜ |
| 19550 | Poco Pet | $8⅝ | 8⅛ | 8⅛ | − ⅜ |
| 18800 | Powr Cor f | $14⅝ | 14⅛ | 14⅜ | + ⅛ |
| 11230 | Provigo | $9 | 9 | 9 | |
| 88153 | Ranger | $8⅜ | 8⅛ | 8⅛ | − ⅛ |
| 1900 | Rayrock f | $8⅛ | 8 | 8⅛ | − ⅛ |
| 200 | Reitman A f | $12 | 12 | 12 | |
| 16890 | Renaissnc | $15¼ | 15⅛ | 15⅛ | − ⅜ |
| 300 | Repap f | $5⅛ | 5⅛ | 5⅛ | |
| 155 | Rio Algom | $18 | 18 | 18 | − ⅛ |
| 6800 | Rogers B f | $5⅝ | 5¼ | 5¼ | − ⅛ |
| 4500 | Roman | 250 | 225 | 225 | − 25 |
| 2800 | Rothman | $50 | 50 | 50 | |
| 67579 | Royal Bnk | $20¾ | 20½ | 20⅝ | + ⅛ |
| 45124 | Ry Trco | $9¼ | 9¼ | 9¼ | − ⅛ |
| 27900 | SHL Syst | $5¼ | 5 | 5¼ | + ⅛ |
| 1000 | SNC A f | $14 | 14 | 14 | |
| 3600 | St. CemA f | $11½ | 11½ | 11½ | + ¼ |
| 12100 | Samuel MT | $11⅞ | 11⅞ | 11⅞ | |
| 23266 | Saskoil | $13¾ | 13⅝ | 13⅝ | − ⅛ |
| 24682 | Sceptre | 385 | 380 | 385 | − 10 |
| 4800 | Schneider A | $16⅝ | 16½ | 16½ | − ⅛ |
| 5200 | Scot Paper | $16½ | 16¼ | 16¼ | − ⅛ |
| 6830 | Scotts f | $12½ | 12¼ | 12½ | + ¼ |
| 29307 | Seagram | $86¼ | 85⅞ | 86⅝ | + ⅝ |
| 11062 | Sears Can | $10¾ | 10½ | 10⅝ | |

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 152500 | ShrrG B f | $8⅝ | 8½ | 8½ | − ⅛ |
| 4468 | Shell Can | $37½ | 36¾ | 36¾ | − 1 |
| 27100 | Sherritt | $6 | 6 | 6 | |
| 14600 | Southam | $18⅞ | 18½ | 18⅞ | + ⅛ |
| 63260 | Spar Aero f | $8¼ | 8¼ | 8¼ | |
| 11697 | Stelco A | $13 | 12⅞ | 12⅞ | − ⅛ |
| 28200 | Teck B f | $21½ | 21⅛ | 21⅛ | − ⅜ |
| 238385 | ThomCor | $14⅛ | 14 | 14 | |
| 199023 | Tor Dm Bk | $15⅝ | 15½ | 15⅝ | + ⅛ |
| 56109 | Torstar B f | $24 | 23½ | 23½ | − ½ |
| 11000 | Total Pet | $24⅞ | 24⅝ | 24⅝ | − ⅛ |
| 36709 | TrnAlta U | $11¼ | 11⅛ | 11⅛ | + ⅛ |
| 215098 | TrCan PL | $15⅛ | 15¼ | 15⅛ | |
| 4500 | Trilon A | $13 | 13 | 13 | + ⅛ |
| 2600 | Trimac | $6½ | 6¾ | 6½ | |
| 10500 | Trizec A f | $10½ | 10½ | 10½ | − ⅛ |
| 72 | UAP A | $16 | 16 | 16 | |
| 1600 | Unicorp A | 85 | 80 | 80 | − 5 |
| 400 | UnigescoB f | 245 | 245 | 245 | |
| 500 | Un Corp | $28½ | 28½ | 28½ | |
| 19300 | Verity C | 220 | 215 | 220 | + 5 |
| 5800 | Viceroy R | $5¼ | 5¼ | 5⅛ | − ⅛ |
| 1700 | Videotrn f | $9½ | 9½ | 9½ | |
| 10500 | WIC B f | $12¼ | 12⅛ | 12⅛ | |
| 6600 | Wajax A | $7½ | 7½ | 7½ | |
| 500 | Weldwood | $15½ | 15½ | 15½ | + ½ |
| 54234 | Wcoast E | $21 | 20¾ | 21 | + ¼ |
| 300 | Westmin | 400 | 400 | 400 | + 5 |
| 2570 | Weston | $38¼ | 37⅞ | 37⅞ | − ⅜ |
| 342 | Woodwd A | 120 | 120 | 120 | |

f − No voting rights or restricted voting rights.

### MONTREAL
Closing prices October 15

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 500 | BombrdrA | $15 | 15 | 15 | − ½ |
| 56870 | BombrdrB | $14¾ | 14½ | 14½ | − ⅛ |
| 63200 | Cambior | $11½ | 10½ | 10⅝ | − ⅞ |
| 3050 | Cascades | 340 | 340 | 340 | |
| 2726 | DomTxtA | $8⅛ | 8⅛ | 8⅛ | + ⅛ |
| 9675 | Memotec | $8 | 7⅞ | 7⅞ | |
| 86736 | NatBk Cda | $7¾ | 7⅝ | 7½ | + ⅛ |
| 10775 | Power Corp | $14⅜ | 14⅜ | 14⅜ | |
| 18800 | Provigo | $9⅛ | 9 | 9⅛ | + ⅛ |
| 1800 | Quebecr B | $10¼ | 10⅛ | 10¼ | + ⅛ |
| 2600 | Videotron | $9¾ | 9½ | 9¼ | + ⅛ |

Total Sales 4,620,738 shares.

## INDICES

### NEW YORK

| DOW JONES | Oct. 15 | Oct. 12 | Oct. 11 | Oct. 10 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2416.34 | 2398.02 | 2365.10 | 2407.92 | 2999.75 (16/7) | 2365.10 (11/10) | 2999.75 (16/7/90) | 41.22 (2/7/32) |
| Home Bonds | 89.03 | 88.86 | 88.80 | 88.86 | 93.04 (3/1) | 88.44 (24/9) | — | — |
| Transport | 832.29 | 829.70 | 823.96 | 835.43 | 1212.77 (6/6) | 823.96 (11/10) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 206.99 | 205.86 | 201.96 | 203.60 | 236.23 (2/1) | 190.96 (24/8) | 236.23 (2/1/90) | 10.50 (8/4/32) |

♦Day's High 2451.24 (2428.71) Low 2354.95 (2349.75)

| STANDARD AND POOR'S | Oct. 15 | Oct. 12 | Oct. 11 | Oct. 10 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 303.23 | 300.03 | 295.46 | 300.40 | 368.95 (16/7) | 295.46 (11/10) | 368.95 (16/7/90) | 4.40 (1/6/32) |
| Industrials | 355.03 | 351.42 | 346.86 | 353.11 | 437.37 (16/7) | 346.86 (11/10) | 437.37 (16/7/90) | 3.62 (21/6/32) |
| Financial | 19.92 | 19.68 | 19.24 | 19.76 | 31.87 (3/1) | 19.24 (11/10) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 165.84 | 164.42 | 162.20 | 164.97 | 201.13 (16/7) | 162.20 (11/10) | 201.13 (16/7/90) | 4.46 (25/4/42) |
| Amex Mkt. Value | 293.27 | 293.97 | 293.71 | 299.26 | 382.45 (5/1) | 293.71 (11/10) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 329.54 | 327.56 | 325.61 | 333.25 | 469.60 (16/7) | 325.61 (11/10) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Oct. 12 | Oct. 5 | Sep.28 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 4.23 | 4.04 | 4.14 | 4.01 |

| | Oct.10 | Oct. 3 | Sep.26 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 3.56 | 3.42 | 3.49 | 3.20 |
| S & P Indl. P/E ratio | 14.28 | 14.85 | 14.55 | 13.00 |

### NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| IBM | 3,120,900 | 99¼ | − 1 |
| Eastman Kodak | 2,719,400 | 37⅞ | + 3¼ |
| Archer Daniels | 2,638,100 | 21½ | − 2⅛ |
| Philip Morris | 2,593,900 | 45¾ | + 1 |
| Waste Man | 1,987,300 | 31¼ | + 1 |
| Polaroid | 1,957,000 | 22⅜ | − 6½ |
| Boeing | 1,737,600 | 46 | + 1½ |
| Citicorp | 1,728,600 | 14⅛ | + ½ |
| Gen Electric | 1,675,100 | 54⅜ | + 1⅝ |
| Am T & T | 1,577,700 | 32¼ | + ¼ |

### TRADING ACTIVITY

| † Volume Millions | Oct. 15 | Oct. 12 | Oct. 11 |
|---|---|---|---|
| New York | 164.980 | 187.940 | 182.141 |
| Amex | 10.350 | 11.983 | 13.707 |
| NASDAQ | (u) | 132.333 | 140.846 |
| Issues Traded | 1,974 | 1,974 | 1,995 |
| Rises | 793 | 919 | 303 |
| Falls | 741 | 632 | 1,284 |
| Unchanged | 440 | 423 | 408 |
| New Highs | 4 | 3 | 2 |
| New Lows | 209 | 231 | 380 |

### CANADA

| TORONTO | Oct. 15 | Oct. 12 | Oct. 11 | Oct. 10 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2634.60 | 2624.74 | 2632.65 | 2708.95 | 3453.05 (4/1) | 2624.74 (12/10) |
| Composite | 3032.84 | 3047.94 | 3055.29 | 3109.87 | 4009.47 (3/1) | 3047.94 (12/10) |
| MONTREAL Portfolio | 1616.66 | 1622.54 | 1621.76 | 1652.76 | 2060.90 (3/1) | 1616.66 (15/10) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Oct 15 | Oct. 12 | Oct. 11 | Oct. 10 | 1990 HIGH | 1990 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1321.4 | 1326.1 | 1341.1 | 1360.2 | 1713.7 (12/1) | 1321.4 (15/10) |
| All Mining (1/1/80) | 635.6 | 640.3 | 658.8 | 669.4 | 860.8 (5/1) | 635.6 (15/10) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 460.14 | 441.05 | 425.81 | 425.79 | 703.29 (19/3) | 400.98 (25/9) |
| **BELGIUM** | | | | | | |
| Brussels SE (Cash Mkt) (1/1/80) | 5120.66 | 5080.01 | 5080.92 | 5071.15 | 6599.43 (12/1) | 4959.99 (25/9) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 339.87 | 338.31 | 337.52 | 336.80 | 388.29 (20/7) | 331.41 (27/9) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | (u) | 419.8 | 420.5 | 423.5 | 677.3 (23/1) | 419.8 (12/10) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 431.34 | 422.45 | 421.92 | 421.68 | 564.62 (30/5) | 418.18 (26/9) |
| CAC 40 (31/12/87) | 1598.91 | 1575.70 | 1541.76 | 1541.04 | 2129.32 (20/4) | 1485.39 (25/9) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 629.28 | 624.47 | 610.26 | 602.27 | 832.32 (19/7) | 569.49 (28/9) |
| Commerzbank (1/12/53) | 1804.90 | 1791.7 | 1750.0 | 1728.80 | 2414.8 (3/4) | 1628.7 (28/9) |
| DAX (30/12/87) | 1478.89 | 1459.78 | 1428.38 | 1407.11 | 1968.55 (30/3) | 1334.89 (28/9) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2916.38 | 2915.26 | 2884.41 | 2872.41 | 3559.89 (23/7) | 2738.24 (1/2) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1279.97 | 1271.66 | 1264.76 | 1258.53 | 1895.20 (22/1) | 1207.47 (1/10) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 552.89 | 554.74 | 555.95 | 556.02 | 763.52 (14/6) | 552.89 (15/10) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 23109.20 | 22990.16 | 22585.63 | (c) | 38712.88 (4/1) | 20221.86 (1/10) |
| Tokyo SE (Topix) (4/1/68) | 1706.33 | 1663.69 | 1671.68 | (c) | 2867.70 (4/1) | 1523.43 (1/10) |
| 2nd Section (4/1/68) | 3047.94 | 3028.69 | 3079.62 | (c) | 4477.16 (16/7) | 2859.49 (1/10) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 477.49 | 471.22 | 469.08 | 470.09 | 632.22 (1/8) | 459.08 (28/9) |
| **NETHERLANDS** | | | | | | |
| CBS Tl.Rtn.Gen.(End 1983) | 232.2 | 232.4 | 231.6 | 232.6 | 271.9 (20/7) | 228.2 (28/9) |
| CBS All Shr (End 1983) | 170.5 | 170.6 | 170.1 | 170.8 | 206.3 (3/1) | 167.6 (28/9) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 738.18 | 756.10 | 762.09 | 773.20 | 915.13 (2/8) | 701.67 (2/1) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 537.45 | 545.18 | 548.62 | 552.34 | 1160.70 (21/3) | 534.80 (5/10) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 306.40 | 305.08 | 301.45 | 303.27 | 446.87 (16/7) | 301.45 (11/10) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1430.0§ | 1445.0 | 1438.0 | (c) | 2230.0 (16/2) | 1322.0 (20/6) |
| JSE Industrial (28/9/78) | 2675.0§ | 2675.0 | 2674.0 | (c) | 3211.0 (6/2) | 2640.0 (1/10) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 646.39 | 635.74 | 621.93 | 617.12 | 928.82 (4/1) | 566.27 (17/9) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 218.03 | (c) | 216.22 | 217.59 | 309.74 (16/7) | 209.37 (28/9) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 964.1 | (u) | 969.9 | 969.8 | 1329.9 (5/7) | 918.8 (28/9) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 650.8 | 647.8 | 647.6 | 642.9 | 845.5 (13/7) | 613.4 (28/9) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 2688.6 | 2620.65 | 2573.45 | (c) | 12495.34 (10/2) | 2560.47 (1/10) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 652.75 | 642.37 | 644.43 | 655.55 | 1143.78 (25/7) | 613.95 (25/9) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) ($) | 451.8* | 448.0 | 442.6 | 451.5 | 571.0 (4/1) | 423.1 (28/9) |

**Saturday October 13: Taiwan Weighted Price: 2655.85 Korea Comp Ex. 626.96
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks
Monday 15 October 1990

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Marubeni | 22.1m | 705 | +35 | Takeda Chml | 7.7m | 1,780 | +30 |
| Sato Kogyo | 11.1m | 1,370 | +10 | Toda Cnstrcn | 7.1m | 1,760 | +80 |
| Y'da Fire & M'ne | 9.7m | 867 | +67 | T'io M'ne & Fire | 5.8m | 1,180 | +100 |
| Honshu Paper | 9.1m | 2,160 | -400 | Nikkiso | 5.7m | 1,250 | -20 |
| Kobe Steel | 8.5m | 526 | +18 | Koyo Seiko | 5.7m | 1,160 | +80 |

*4pm prices October 15*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | — A—A—A — | | | | | | | | |
| 37½ | 9½ | AAR | .48 | 4.7 | 6 | 2175 | 10⅜ | 9¾ | 10⅛ | + ⅛ |
| 9⅜ | 7⅝ | ACM n | 1.01 | 13. | | 203 | 8⅛ | 8 | 8 | |
| 11⅝ | 8⅞ | ACMIn | 1.26 | 14. | | 964 | 9⅞ | 9⅛ | 9⅛ | + ⅛ |
| 9⅛ | 6½ | ACM M | n1.01 | 15. | | 238 | 7 | 6⅞ | 6⅞ | |
| 12⅞ | 10 | ACMMM | 1.50 | 13. | | 238 | 11½ | 11¼ | 11⅜ | − ⅛ |
| 11⅞ | 8⅝ | ACM Sc | 1.26 | 14. | | 1417 | 9⅛ | 8⅞ | 9 | |
| 9⅝ | 7⅛ | ACMSp | 1.01 | 13. | | 201 | 7⅞ | 7⅞ | 7⅞ | + ⅛ |
| 24⅝ | 14⅝ | AL Lab | .16 | .9 | 16 | 12 | 17¼ | 17 | 17 | − ⅜ |
| 5⅜ | 1⅛ | AM Intl | | | | 685 | 1¼ | 1⅛ | 1⅛ | |
| 22⅞ | 5⅞ | AM In pf | 2 | 33. | | 152 | 6 | 5⅞ | 6 | |
| 85½ | 39¾ | AMR | | | 10 | 4514 | 45 | 42¾ | 44½ | + 1½ |
| 4⅝ | 2⅜ | ARX | | | 8 | 7 | 2½ | 2½ | 2½ | |
| 72⅞ | 42⅞ | ASA | 3a | 7.5 | | 2216 | 43⅝ | d40 | 40 | − 3⅞ |
| 45⅞ | 31 | AbtLab | s.84 | 2.0 | 19 | 7629 | 41⅝ | 40⅛ | 41⅜ | + ⅝ |
| 14 | 11⅛ | Abitibi | g .50 | | | 12 | 11⅞ | 11⅞ | 11⅞ | − ⅛ |
| 11⅝ | 4⅞ | AcmeC | .40 | 7.8 | 6 | 39 | 5⅛ | 4⅞ | 5⅛ | + ⅛ |
| 32⅜ | 16⅞ | Acuson | s | | 21 | 436 | 25⅞ | 25¼ | 25¼ | + ⅜ |
| 16⅞ | 14⅛ | AdaEx | 2.06e | 14. | | 382 | 14⅝ | 14½ | 14⅝ | + ⅛ |
| 15⅜ | 10 | Adobe | | | | 225 | 10⅞ | 10½ | 10⅞ | |
| 20⅛ | 17⅝ | Adob pf | 1.84 | 10. | | 2 | 17⅞ | 17⅞ | 17⅞ | |
| 21⅝ | 19⅜ | Adob pf | 2.40 | 12. | | 15 | 20⅝ | 20½ | 20⅝ | − ⅛ |
| 11⅞ | 3⅞ | AMD | | | 17 | 3699 | 4⅛ | 4 | 4⅛ | + ⅛ |
| 32⅞ | 16 | AMD pf | 3 | 17. | | 41 | 17⅝ | 17 | 17½ | + ½ |
| 9⅛ | 1⅞ | Advest | .10 | 5.0 | 26 | 1006 | 2 | d 1⅞ | 2 | |
| 62½ | 29⅝ | AetnLf | 2.76 | 8.9 | | 56790 | 32¼ | 30⅞ | 31⅛ | − ⅞ |
| 13⅛ | 7½ | AfilPb | .24 | 3.1 | | 441 | 7⅞ | 7⅞ | 7⅞ | − ⅛ |
| 23⅛ | 11⅞ | Ahmans | .88 | 6.8 | 6 | 1897 | 13 | 12⅝ | 12⅞ | − ⅛ |
| 3⅞ | 1⅞ | Aileen | | | 9 | 205 | 3⅞ | 3½ | 3½ | − ⅛ |
| 61 | 42⅞ | AirPrd | 1.44 | 3.2 | 11 | 1495 | 44⅞ | 43¾ | 44⅝ | + ⅞ |
| 27 | 14½ | AirFrt | s .30 | 2.1 | 8 | 1302 | 15⅛ | 14½ | 14½ | − ½ |
| 24⅛ | 12 | Airgas | | | 22 | 32 | 12⅛ | 12 | 12 | − ⅛ |
| 20⅞ | 15⅞ | Airlease | 2.52 | 16. | 8 | 20 | 16 | 15⅛ | 16 | + ⅛ |
| 28½ | 21⅛ | AlaP | pf2.07e | 9.0 | | 444 | 23 | 23 | 23 | − ⅛ |


Continued on Page 45

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls. 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 24 | 21½ | PSCol pf2.10 | | 9.7 | | 3 | 21⅝ | 21⅝ | 21⅝ | |
| 4⅛ | 2 | vjPSNH | | | | 805 | 2½ | 2⅛ | 2⅛ | |
| 23¾ | 16½ | vjPSNH pf | | | | z200 | 20⅛ | 20 | 20⅛ | + ⅛ |
| 23⅜ | 15⅜ | vjPNH pfB | | | | 27 | 20⅝ | 20⅜ | 20⅜ | − ½ |
| 23⅝ | 15⅝ | vjPNH pfD | | | | 12 | 20 | 20 | 20 | − ⅛ |
| 23⅛ | 16⅜ | vjPNH pfE | | | | 13 | 20⅛ | 19⅞ | 19⅞ | −1 |
| 23⅛ | 16⅛ | vjPNH pfF | | | | 2 | 20⅛ | 20⅛ | 20⅛ | − ½ |
| 23⅛ | 15½ | vjPNH pfG | | | | 7 | 20½ | 20⅛ | 20⅛ | −1⅛ |
| 15½ | 8 | PSvNM | | | 15 | 593 | 8⅝ | 8⅛ | 8⅛ | + ⅛ |
| 29⅝ | 22½ | PSEG | 2.08 | 8.6 | 10 | 4085 | 24½ | 23⅞ | 24⅛ | + ⅜ |
| 46⅛ | 43 | PSEG pf4.08 | | 9.0 | | z220 | 45¾ | 45¾ | 45¾ | − ¾ |
| 90⅛ | 81 | PSEG pf7.80 | | 9.4 | | 340 | 82⅝ | 82½ | 82⅝ | + ⅝ |
| 2½ | 1 | Publick | | | | 60 | 1⅛ | 1 | 1⅛ | + ⅛ |
| 57⅛ | 40 | PR Cem | .80a | 2.0 | 6 | 3 | 40⅞ | 40⅛ | 40⅛ | |
| 22½ | 18⅝ | PugetP | 1.76 | 9.3 | 10 | 395 | 19⅛ | 19⅝ | 19⅞ | |
| 12⅜ | 6½ | PDPI | 1.23 | 14. | | 133 | 8⅞ | 8⅝ | 8⅞ | + ⅛ |
| 12⅝ | 8⅝ | PDIF | 1.36 | 15. | | 226 | 9⅝ | 9½ | 9½ | − ⅛ |
| 7⅝ | 5 | PHICB | .85 | 16. | | 55 | 5⅝ | 5⅛ | 5⅛ | |
| 9⅞ | 8⅝ | PHVM | .81 | 9.4 | | 347 | 8⅝ | d 8½ | 8⅝ | − ⅛ |
| 9½ | 7½ | PIGIT | .96 | 12. | | 1325 | 8⅛ | 8⅛ | 8⅛ | + ⅜ |
| 12½ | 10⅜ | PIGM | .89 | 8.5 | | 196 | 10⅝ | 10⅜ | 10½ | − ⅛ |
| 9⅞ | 8⅞ | PMMI | .75 | 8.4 | | 489 | 9⅛ | 9 | 9 | − ⅛ |
| 8⅞ | 6 | PMIIT | .87 | 14. | | 1068 | 6⅞ | 6⅛ | 6⅛ | − ⅜ |
| 8⅞ | 6⅛ | PMIT | .93 | 14. | | 1325 | 6⅞ | 6½ | 6⅝ | |
| 8½ | 6⅛ | PPrIT | .93 | 15. | | 6161 | 6⅝ | 6⅝ | 6⅝ | |
| 21⅛ | 8½ | QMS | | | 6 | 482 | 10⅛ | 9⅛ | 10⅛ | + ⅜ |
| 13-16 | 5-64 | Qantel | | | | 157 | 11-64 | ⅛ | ⅛ | −7-64 |
| 63 | 41⅞ | QuakrO | 1.56 | 3.8 | 15 | 1072 | 46½ | 43⅝ | 45 | +1⅞ |
| 15⅛ | 7⅞ | QuakSC | .80 | 9.1 | 16 | 467 | 8⅞ | 8½ | 8⅞ | + ⅜ |
| 18⅝ | 9⅛ | Quanex | .40 | 4.3 | 6 | 207 | 9½ | d 9⅛ | 9⅛ | |
| 36⅞ | 9½ | Quantm | .44t | 4.7 | 33 | 1680 | 9⅞ | d 9⅛ | 9⅜ | − ⅛ |
| 14 | 12 | QstVI | 1.20A | 10. | | 125 | 12½ | 12 | 12 | − ⅛ |
| 14⅝ | 10⅛ | QstVC | | | | 332 | 10⅝ | 10⅜ | 10⅜ | |
| 39⅛ | 32⅝ | Questar | 1.96 | 5.4 | 14 | 84 | 36⅛ | 36⅛ | 36½ | − ⅛ |

[illegible]

# AMEX COMPOSITE PRICES

4pm prices October 15

[illegible]

# NASDAQ NATIONAL MARKET

3pm prices October 15

[illegible]

AMERICA

# Budget deficit optimism helps Dow to gain ground

## Wall Street

FALLING OIL prices and renewed optimism that Congress would manage to pass a budget deficit accord by Friday helped equities overcome waves of programme-driven trading which had brought a volatile morning on Wall Street, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average blue chip indicator finished up 18.32 on balance at 2,416.34 after a New York SE volume of 167m shares. The average was down about 32 points at one stage in the morning, but this was reversed into a 34-point net rise by mid-session. The tone of the market was decidedly mixed, with advances leading declines by only 792 to 737. On Friday the Dow gained 33 points.

Wall Street opened on a positive note, with shares and bonds posting early gains on the back of lower oil prices. Both markets then retreated before rallying again. In late trading, the Treasury's bellwether 30-year bond was 1/32 higher at 98 1/32, yielding 8.93 per cent. November crude oil was off $1.74 at $37.95 a barrel.

The decline in crude oil prices helped to boost oil shares. Chevron gained $¼ to $69½ and Mobil rose $1 to $57.

Oil service issues were mixed. Schlumberger improved $⅛ to $56⅛, Halliburton slipped $1⅛ to $47⅜ and Dresser Industries shed $⅛ to $17½.

Softer oil prices helped AMR, parent of American Airlines, to rise $1½ to $44⅛ and Delta Air Lines to gain $⅞ to $55⅞.

UAL, parent of United Airlines, whose unions have so far failed to come up with the financing for a takeover bid, lost $⅛ to $90⅛ after stating that it had ordered about $22bn of Boeing jets, the largest ever wide-body aircraft order. Boeing rose $1⅛ to $46, while United Technologies, whose Pratt & Whitney division will supply the engines for the aircraft, rose $1⅛ to $46.

Eastman Kodak jumped $3¼ to $37⅞ in heavy trading. On Friday, a US district court judge ordered Kodak to pay Polaroid $909.5m in damages. Many analysts had expected damages to exceed $1bn. Polaroid, which yesterday reported third-quarter net income of 42 cents a share, against 40 cents a year ago, fell $6¾ to $22½.

Trading was also active in IBM, which fell $1⅛ to $99⅛ after reporting third-quarter net income of $1.85 a share, at the low end of expectations.

NCR fell $3¼ to $46¾. The company reported net third-quarter income of $1.36 a share and said it expects profits for the whole of 1990 to be below their 1989 level, although earnings per share will be higher, thanks to fewer shares outstanding.

Compaq gained $⅞ to $37¾. The company introduced a notebook-size computer yesterday and cut the resale prices on some of its desktop models.

In over-the-counter trading, Intel rose $1⅝ to $31⅝ after the semiconductor maker, which posted strong third-quarter results on Friday, introduced a new microprocessor designed for notebook-size computers.

## Canada

FALLING GOLD shares once again pushed the overall Toronto market lower in slow trading.

The composite index declined 15.1 to 3,032.8, with the golds sector losing 5.5 per cent. In the last three sessions the golds index has fallen more than 11 per cent. Gold weakened US$12.50 to US$375.75 in New York yesterday.

Falls outscored rises by 362 to 191 and volume of 17.3m shares was down from Friday's 21.7m, although nine of the 14 group sub-indices finished higher yesterday, including gains for transportation issues, mining stocks, financial services and consumer products.

# N America suffers as budget woes return

By William Cochrane and Peter John

NORTH AMERICAN woes, which left US equities 3.7 per cent down and Canada 3.3 per cent lower, stood out last week as the FT-Actuaries World Index fell 1.7 per cent in local currency terms.

Headlines on Wall Street included a weak dollar and dismay over the seeming inability of the US Congress to agree on a credible deficit reduction package; and new lows for the Dow on Wednesday and Thursday as share prices tumbled on Middle East fears, oil price rises and concern about third quarter company results.

Elsewhere in the Americas, however, Mexico recovered 3.8 per cent after a 6.4 per cent fall in September. Mr Mark Smith at Corporate Broking Services says the market has been torn between the country's windfall oil revenues, the effect of the US economic downturn on the Mexican economy and the decline in US investment flows into the country.

The oil price varied in its influence. On Friday, Wall Street recovered a little on a decline in oil price futures, based on rumours that Iraq might pull out of Kuwait. In a prelude to this, says Mr James Cornish, a strategist at County NatWest in London, the spot oil price started to fall in Europe on Thursday morning.

This, he says, gave German equities a modest mark-up, followed by short covering, and then real orders from the UK and from some German funds. It followed through on Friday on the Gulf rumours – and, perhaps, some judicious stock selection ahead of Sunday's elections in East Germany and Bavaria – and Germany closed the week with the best rise in Europe, a gain of 4.1 per cent.

Frankfurt got its final boost from information which emerged on Friday that changes in accounting principles for working out earnings per share would give a lift to Klöckner-Werke and KHD, among others, and reduce those of acquirers of private companies, such as Asko.

On the other side of the world, however, impending national elections failed to inject any optimism into New Zealand's stock market, which put on the worst performance of the week with a fall of 7.7 per cent.

A burst of depressing economic news prompted the drop, in low turnover, concentrated in four of five international stocks.

First, the New Zealand dollar's trade weighted index fell from 59.3 to 59.1 against major international currencies after predictions by Mr Jim Bolger, the leader of the opposition National Party, which is tipped to win the October 27 election.

Analysts said the fall might have been ignored under normal circumstances, but that it had been seen as the final straw by a market which has been squeezed by a rigid anti-inflationary policy.

Secondly, inflation is expected to be above its current 5 per cent at the end of next year. The ruling Labour Party is committed to bringing the figure below 2 per cent by that time. Finally, the government announced a projected national deficit of NZ$5bn for this year and the same figure for 1991.

MARKETS IN PERSPECTIVE

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1990 | Start of 1990 | Start of 1990 |
| Austria | +2.58 | −14.91 | −8.70 | −3.98 | −12.88 | +6.66 |
| Belgium | −0.61 | −7.29 | −27.02 | −24.08 | −29.48 | −13.56 |
| Denmark | +0.67 | −6.49 | −2.92 | −9.24 | −15.90 | +2.98 |
| Finland | −3.36 | −15.55 | −33.78 | −32.74 | −38.26 | −24.42 |
| France | +1.15 | −3.09 | −22.17 | −23.50 | −28.91 | −12.98 |
| W. Germany | +4.13 | −6.76 | −9.55 | −16.76 | −24.18 | −7.19 |
| Ireland | +0.15 | +0.77 | −23.94 | −25.89 | −31.20 | −15.78 |
| Italy | −3.14 | −9.42 | −25.54 | −23.59 | −30.41 | −14.80 |
| Netherlands | +1.76 | −5.86 | −17.19 | −16.76 | −24.05 | −7.08 |
| Norway | −0.72 | −13.12 | +13.27 | +7.60 | −1.55 | +20.52 |
| Spain | −1.88 | −6.86 | −33.88 | −27.01 | −31.77 | −16.48 |
| Sweden | +0.66 | −10.49 | −15.29 | −14.87 | −23.68 | −6.58 |
| Switzerland | +1.69 | −4.18 | −21.50 | −18.99 | −20.13 | −2.23 |
| UK | −1.45 | +0.13 | −8.43 | −14.79 | −14.79 | +4.30 |
| EUROPE | +0.08 | −3.85 | −14.78 | −17.77 | −21.56 | −3.98 |
| Australia | −2.13 | −10.59 | −21.84 | −18.52 | −31.10 | −15.65 |
| Hong Kong | +1.81 | −5.53 | +0.20 | +0.61 | −17.28 | +1.26 |
| Japan | −1.13 | −11.86 | −36.36 | −43.84 | −48.72 | −37.23 |
| Malaysia | +0.49 | −13.58 | −10.39 | −18.29 | −33.23 | −18.26 |
| New Zealand | −7.68 | −12.59 | −36.64 | −30.94 | −41.31 | −28.15 |
| Singapore | −1.81 | −12.86 | −21.92 | −23.21 | −30.99 | −15.52 |
| Canada | −3.29 | −5.28 | −21.08 | −19.40 | −33.53 | −18.83 |
| USA | −3.73 | −5.39 | −16.36 | −15.53 | −31.00 | −15.53 |
| Mexico | +3.78 | −2.47 | +70.83 | +66.01 | +23.28 | +50.91 |
| South Africa | −2.13 | −8.45 | +3.83 | −12.21 | −32.61 | −17.50 |
| WORLD INDEX | −1.74 | −7.24 | −24.34 | −27.52 | −36.20 | −21.88 |

† Based on October 12th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd.

EUROPE

# Election results give Frankfurt extra boost

GAINS IN overseas markets lifted most bourses yesterday, with Frankfurt given the additional boost of election results. Political uncertainty, however, sapped Italian energy again, *writes Our Markets Staff.*

FRANKFURT extended its gains to a third successive session as the market registered satisfaction over the weekend's local election results, the DAX index closing 19.19 or 1.3 per cent higher at 1,479.89, after a rise of 4.81 to 629.28 in the FAZ at midsession. Volume eased to DM4.4bn from DM4.9bn.

Mr Horst Greven, an analyst at Merck Finck in Düsseldorf, said that the strong results for Chancellor Helmut Kohl's centre-right coalition, featuring the CDU in East Germany and the CSU in Bavaria, were the dominating feature on the day.

Blue chips led the rise, followed and exaggerated by construction industry stocks such as Hochtief, up DM58.50 at DM1,289.50, and Holzmann, DM75 better at DM1,360; both of these have demonstrated their volatility in the past.

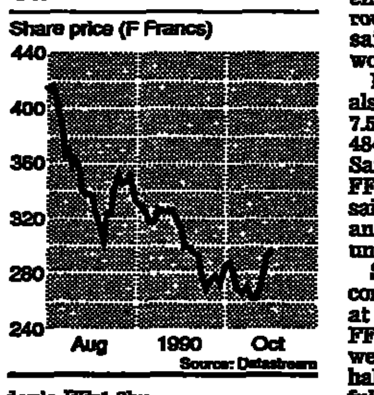
Special situations tended to lose ground, Continental dropping DM10.50 to DM271 after tipsheets talked about book value estimates of DM200 a share. KHD, seen as a beneficiary of proposed changes in accounting for earnings per share, eased DM1.20 to DM182 after Friday's DM14.20 gain – although Mr Greven said that the stock had been oversold.

Another big loser was Porsche, down another DM27 to DM705. Exporting 60 per cent of its production to the US, the company was already under threat from a proposed US tax on luxury cars; the weakness of the US dollar is now seen as a further worry.

PARIS responded to Friday's gain on Wall Street and Tokyo's overnight rise with an early advance, which took the CAC 40 index above the 1,600 level. Profit-taking trimmed gains, however, and the index closed at 1,598.91, up 23.21 or 1.5 per cent. Turnover was estimated at FFr2bn, up from Friday's FFr1.8bn.

Suez

Share price (F Francs)




Interest focused on Suez, which had jumped 9.1 per cent on Friday and rose another 4.1 per cent to FFr305 yesterday, before succumbing to profit-taking. The stock ended at FFr296, up FFr3, in the day's biggest trading volume of 695,420 shares, This followed the appointment of Mr Gérard Worms as chairman of the financial and industrial group, ending the uncertainty surrounding the post. Mr Worms said that first-half results would be very satisfactory.

Michelin, the tyremaker, was also active, rising FFr4.80 or 7.5 per cent to FFr68.90 with 484,950 shares exchanged. Saint-Gobain picked up FFr7 to FFr376 after the glassmaker said that it would not make any more large acquisitions until it had reduced its debt.

Sommer-Allibert, the plastics company, closed FFr61 higher at FFr1,340 after reaching FFr1,379 earlier. The market welcomed news of higher first-half profits and predictions of a full-year rise of at least 10 per cent, especially in view of the increased price of oil. The company also announced a one-for-five scrip issue.

MILAN fell to a low for the year in thin trading, on the last day of the October trading account. The Comit index lost 1.85 to 552.89.

Growing fears of a political crisis, following declarations at the weekend by the Republican party that it might stop supporting the five-party coalition, weighed on the market.

Among the few advances, the insurer Generali rose L40 to L35,490 on the eve of its one-for-10 bonus issue. Pirelli gained L24 to L1,604 on reports that small shareholders of Continental, the German tyre manufacturer, were in favour of the merger proposal.

AMSTERDAM saw a flurry of early activity, predominantly short-covering and options-related, but it soon petered out. "There was no natural buying interest," said one broker. A lower US start brought share prices off their highs. The CBS Tendency index closed 1.3 higher at 95.6, having hovered around 96.0.

MADRID rose in tandem with foreign markets, but the mood was uncertain. The general index gained 1.81 to 218.03.

Swiss Bank Corporation warned that estimates for average company earnings growth for Spain were being trimmed back towards the 5 per cent level from previous estimates of close to 10 per cent. "The heavy weights in the Spanish index, banks and utilities, are unlikely to escape downgradings as credit growth and industrial production growth fall this year and next," it said.

ZURICH closed higher in spite of late profit-taking, the Crédit Suisse index rising 2.5 to 502.7. Sandoz was unchanged at SFr8,650; group sales rose only 1 per cent in Swiss franc terms in the first nine months.

VIENNA's bourse index rose above the 500 level for the first time in three weeks, closing 15.88 or 3.2 per cent higher at 514.65. ISTANBUL also gained ground, with the index up 114.64 or 2.2 per cent at 5,263.59, but ATHENS dropped 3.6 per cent, as its index shed 38.75 to 1,050.57.

OSLO slid to a 1990 low in thin trading. The all-share index fell 10.8 or 2.1 per cent to 502.57 in turnover of just NKr120m.

## SOUTH AFRICA

GOLD and platinum shares came under renewed pressure in Johannesburg as world precious metal prices continued to fall. However, a sharply weaker financial rand helped stem market losses. The JSE all-gold index fell 50 to 1,395.

ASIA PACIFIC

# Index-linked buying lifts Nikkei in low volume

## Tokyo

INDEX-LINKED buying supported by professionals boosted the Nikkei average above the psychologically important 23,000 level yesterday, but low turnover indicated that investors remained cautious, *writes Michiyo Nakamoto in Tokyo.*

The week made a flying start with share prices climbing strongly for most of the day. The Nikkei closed at the day's high of 23,109.20, up 719.20 or 3.2 per cent, its first rise in four sessions. In quiet intraday trading, the index dipped to a low of 22,404.09. Rises led falls by 798 to 178 and 98 issues were unchanged.

Turnover amounted to 350m shares, only slightly up from Friday's 320m. The Topix index of all listed stocks gained 42.64 to 1,706.33, but in London the ISE/Nikkei 50 index firmed just 1.51 to 1,340.07.

New York's rebound and lower crude oil prices encouraged investors in Tokyo. The yen's strong advance continued to be a positive influence as it helped to ease pressure on domestic interest rates. There was a growing consensus that the central bank was not likely to raise the discount rate with the yen at its present level.

However, the strength shown by the market yesterday was more a reflection of professional rather than investor enthusiasm, as indicated by the low volume. Mr George Nimmo at SBCI Securities said the index could rise 700 points or fall 700 points but, because of the lack of turnover, the direction of the index did not show what the market was thinking. Uncertainty about the Middle East crisis still clouded the prospects for equities and discouraged investors from full market participation.

The yen's rise and hopes of lower interest rates encouraged buying in domestic stocks. These included large capital issues, such as steels, shipbuilders and trading houses. Kobe Steel rose Y18 to Y526 and Mitsubishi Heavy climbed Y23 to Y728.

Among trading houses benefiting from lower interest rates, Marubeni, a heavily capitalised issue, topped the actives list with 22.1m shares traded and forged ahead Y35 to Y705. It was also bought for its close trading ties with the Soviet Union, in the wake of improving Soviet-Japanese relations.

Non-life insurances, which have lagged behind the market, found favour. Yasuda Fire and Marine, third in volume with 9.7m shares, advanced Y87 to Y867. Tokio Marine and Fire surged Y100 to Y1,180 in heavy trading. Utilities were bought on lower crude oil prices and a higher yen.

Leading securities houses were said to be encouraging interest in companies expected to profit from increased investment in infrastructure. Sato Kogyo, a construction company with strength in civil engineering, was second in volume with 11.1m shares and firmed Y10 to Y1,370.

In Osaka, issues backed by domestic demand supported a rise of 523.23 in the OSE average to 26,354.78. Volume eased to 25.7m shares from 28.7m.

## Roundup

OPTIMISM about the forthcoming North/South Korea talks lifted Seoul yesterday, but Bombay fell sharply while other markets in the region were mixed in mostly thin trading.

SEOUL rose 3 per cent in busy trading on hopes of success in the second round of talks between the premiers of North and South Korea, which begin today. The composite index climbed 19.44 to 646.39 in turnover of Won160.8bn. The financial sector led gains.

BOMBAY plunged 8.7 per cent after the Indian government raised the price of petrol and petroleum products by 25 per cent to counter the rising cost of oil imports. The BSE index dropped 122.55 to 1,280.00. The market is due to be on holiday for the rest of the week, except for one hour of trading on Thursday.

KUALA LUMPUR ended 1.3 per cent higher on bargain hunting as the belief took hold that the market had been oversold. The composite index rose 6.27 to 477.49. Bargain hunters, encouraged by gains in Tokyo, also lifted BANGKOK. The SET index put on 10.38 or 1.6 per cent to 652.75.

TAIWAN added 1.2 per cent but trading was mostly quiet. The weighted index rose 32.75 to 2,688.60 in turnover of T$15.3bn.

MANILA eased in quiet trading on worries about higher petrol prices and rising inflation, and fears of further worker unrest. The government agreed at the weekend to draw up a package designed to deal with the economic crisis.

The composite index declined 7.73 or 1.4 per cent to 537.45 as turnover shrank to 25m pesos from Friday's 35m.

AUSTRALIA weakened after institutional investors failed to respond to an unexpected cut in official cash rates. The All Ordinaries index lost 4.8 to 1,321.4, reversing early gains, in turnover of A$147m, down from Friday's A$195m.

News Corporation's retreat continued, the stock losing 36 cents to A$5.18.

SINGAPORE was mixed in its second lowest volume of the year. The Straits Times Industrial index edged up 4.06 to 1,098.43. Volume was 20m shares worth S$36m, down from Friday's 36m and S$63m.

HONG KONG finished little changed. The Hang Seng index gained 1.12 to 2,916.38 in HK$597m turnover (HK$657m).

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY OCTOBER 15 1990 | | | | | | | | FRIDAY OCTOBER 12 1990 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1990 High | 1990 Low | Year ago (approx) |
| Australia (78) | 123.49 | −3.3 | 93.72 | 100.04 | 97.78 | 103.78 | +0.0 | 7.48 | 127.69 | 95.90 | 103.84 | 100.71 | 103.82 | 158.31 | 123.49 | 140.89 |
| Austria (19) | 199.14 | +2.5 | 151.13 | 161.32 | 157.68 | 157.52 | +2.5 | 1.73 | 194.33 | 145.95 | 158.03 | 153.26 | 153.65 | 285.63 | 178.57 | 161.26 |
| Belgium (61) | 134.72 | +0.9 | 102.24 | 109.12 | 106.67 | 104.15 | +1.0 | 5.56 | 133.56 | 100.31 | 108.60 | 105.33 | 103.09 | 160.02 | 126.67 | 142.10 |
| Canada (120) | 122.76 | −0.9 | 93.17 | 99.44 | 97.19 | 102.40 | −0.5 | 3.91 | 123.83 | 93.00 | 100.69 | 97.65 | 102.89 | 163.61 | 122.76 | 149.82 |
| Denmark (33) | 249.76 | +0.1 | 189.55 | 202.33 | 197.76 | 197.45 | +0.4 | 1.50 | 249.39 | 187.31 | 202.81 | 196.69 | 196.73 | 277.62 | 234.05 | 194.15 |
| Finland (26) | 101.18 | +0.4 | 76.79 | 81.97 | 80.12 | 76.46 | +0.5 | 3.58 | 100.75 | 75.67 | 81.93 | 79.46 | 76.06 | 152.29 | 100.75 | 123.83 |
| France (123) | 136.91 | +0.8 | 103.91 | 110.90 | 108.40 | 109.56 | +1.2 | 3.76 | 135.78 | 101.98 | 110.41 | 107.08 | 108.31 | 168.85 | 124.98 | 130.65 |
| Germany (91) | 115.22 | +0.3 | 87.44 | 93.35 | 91.23 | 91.23 | +0.7 | 2.47 | 114.83 | 86.24 | 93.39 | 90.56 | 90.56 | 144.63 | 101.38 | 89.02 |
| Hong Kong (48) | 118.43 | −0.1 | 89.88 | 95.94 | 93.78 | 118.01 | −0.1 | 5.59 | 118.61 | 89.09 | 96.46 | 93.55 | 118.09 | 147.48 | 112.24 | 109.17 |
| Ireland (17) | 153.56 | +0.4 | 116.54 | 124.39 | 121.59 | 122.76 | +0.6 | 4.26 | 152.90 | 114.84 | 124.34 | 120.59 | 122.03 | 198.57 | 139.04 | 146.86 |
| Italy (91) | 83.31 | −0.7 | 63.23 | 67.49 | 65.97 | 71.03 | −0.3 | 3.43 | 83.86 | 62.98 | 68.19 | 66.14 | 71.24 | 109.28 | 80.87 | 86.15 |
| Japan (454) | 128.15 | +3.4 | 97.26 | 103.81 | 101.48 | 103.81 | +3.0 | 0.81 | 123.91 | 93.07 | 100.77 | 97.74 | 100.77 | 197.26 | 106.58 | 180.99 |
| Malaysia (35) | 189.64 | +1.3 | 143.93 | 153.61 | 150.15 | 197.02 | +1.3 | 3.11 | 187.22 | 140.61 | 152.24 | 147.65 | 194.50 | 250.89 | 182.96 | 187.34 |
| Mexico (13) | 491.18 | +0.0 | 372.78 | 397.89 | 388.92 | 1589.09 | +0.0 | 0.43 | 491.18 | 368.91 | 399.44 | 387.39 | 1589.09 | 561.41 | 324.53 | 323.66 |
| Netherland (41) | 133.05 | −0.5 | 100.98 | 107.78 | 105.35 | 104.24 | −0.2 | 5.49 | 133.78 | 100.48 | 108.79 | 105.51 | 104.47 | 149.08 | 127.56 | 122.09 |
| New Zealand (16) | 50.73 | −2.1 | 38.50 | 41.09 | 40.17 | 44.31 | −0.4 | 7.84 | 51.80 | 38.90 | 42.13 | 40.85 | 44.50 | 75.36 | 50.73 | 72.92 |
| Norway (28) | 236.17 | −1.9 | 179.24 | 191.32 | 187.01 | 189.05 | −1.8 | 1.64 | 240.86 | 180.90 | 195.87 | 189.97 | 192.48 | 276.79 | 202.34 | 163.07 |
| Singapore (25) | 150.93 | +0.8 | 114.55 | 122.27 | 119.51 | 119.84 | +0.6 | 3.57 | 149.71 | 112.44 | 121.75 | 118.07 | 119.15 | 209.24 | 147.24 | 153.14 |
| South Africa (60) | 160.19 | −1.2 | 121.57 | 129.76 | 126.83 | 132.14 | −1.0 | 4.33 | 162.14 | 121.78 | 131.85 | 127.87 | 133.50 | 251.39 | 151.50 | 135.33 |
| Spain (42) | 137.50 | +0.9 | 104.35 | 111.39 | 108.87 | 99.53 | +0.9 | 5.56 | 136.21 | 102.31 | 110.77 | 107.43 | 98.65 | 182.25 | 128.54 | 154.95 |
| Sweden (27) | 179.49 | +0.0 | 136.22 | 145.40 | 142.13 | 149.67 | −0.1 | 2.71 | 179.42 | 134.76 | 145.91 | 141.51 | 149.87 | 234.93 | 158.07 | 170.66 |
| Switzerland (67) | 91.82 | −0.2 | 69.69 | 74.38 | 72.71 | 73.29 | +0.6 | 2.91 | 91.97 | 69.08 | 74.80 | 72.55 | 72.87 | 109.77 | 85.00 | 82.12 |
| United Kingdom (300) | 164.07 | −0.9 | 124.52 | 132.89 | 129.90 | 124.52 | +0.2 | 5.59 | 165.53 | 124.33 | 134.60 | 130.54 | 124.33 | 176.18 | 139.87 | 138.67 |
| USA (533) | 122.15 | +1.1 | 92.70 | 98.95 | 96.72 | 122.15 | +1.1 | 4.02 | 120.84 | 90.76 | 98.27 | 95.31 | 120.84 | 148.95 | 119.06 | 139.22 |
| Europe (966) | 136.39 | −0.2 | 103.51 | 110.49 | 108.00 | 105.95 | +0.4 | 4.41 | 136.71 | 102.68 | 111.18 | 107.83 | 105.53 | 157.65 | 124.91 | 120.33 |
| Nordic (114) | 184.85 | −0.2 | 140.29 | 149.74 | 146.37 | 144.01 | −0.1 | 2.10 | 185.20 | 139.10 | 150.61 | 146.07 | 144.22 | 223.29 | 172.38 | 159.25 |
| Pacific Basin (668) | 127.34 | +3.0 | 96.64 | 103.16 | 100.83 | 103.99 | +2.8 | 1.22 | 123.59 | 92.83 | 100.51 | 97.48 | 101.17 | 192.75 | 107.82 | 176.67 |
| Euro−Pacific (1622) | 131.37 | +1.6 | 99.70 | 106.41 | 104.02 | 105.56 | +1.8 | 2.57 | 129.28 | 97.09 | 105.12 | 101.95 | 103.74 | 174.18 | 116.03 | 154.21 |
| North America (653) | 122.10 | +1.0 | 92.67 | 98.92 | 96.69 | 120.86 | +1.0 | 4.02 | 120.94 | 90.83 | 98.36 | 95.40 | 119.68 | 148.43 | 119.26 | 138.75 |
| Europe Ex. UK (666) | 119.18 | +0.3 | 90.45 | 96.56 | 94.39 | 94.90 | +0.6 | 3.54 | 118.89 | 89.29 | 96.70 | 93.78 | 94.36 | 145.62 | 109.94 | 106.30 |
| Pacific Ex. Japan (202) | 117.08 | −1.7 | 88.86 | 94.86 | 92.71 | 102.95 | +0.0 | 6.40 | 119.14 | 89.48 | 96.90 | 93.97 | 102.92 | 146.72 | 117.08 | 124.90 |
| World Ex. US (1815) | 131.57 | +1.5 | 99.85 | 106.59 | 104.18 | 108.12 | +1.7 | 2.63 | 129.62 | 97.36 | 105.42 | 102.24 | 104.40 | 173.77 | 117.12 | 153.98 |
| World Ex. UK (2048) | 123.70 | +1.7 | 93.88 | 100.21 | 97.95 | 109.78 | +1.6 | 2.76 | 121.67 | 91.38 | 98.95 | 95.97 | 108.01 | 162.00 | 115.37 | 148.58 |
| World Ex. So. Af. (2288) | 127.09 | +1.4 | 96.45 | 102.96 | 100.64 | 111.09 | +1.5 | 3.06 | 125.35 | 94.15 | 101.95 | 98.87 | 109.47 | 161.84 | 118.04 | 147.73 |
| World Ex. Japan (1894) | 128.10 | +0.3 | 97.22 | 103.78 | 101.45 | 115.19 | +0.7 | 4.27 | 127.68 | 95.90 | 103.84 | 100.72 | 114.41 | 151.59 | 124.31 | 131.94 |
| The World Index (2348) | 127.29 | +1.4 | 96.60 | 103.11 | 100.79 | 111.24 | +1.5 | 3.09 | 125.57 | 94.31 | 102.12 | 99.04 | 109.64 | 162.05 | 118.39 | 147.66 |

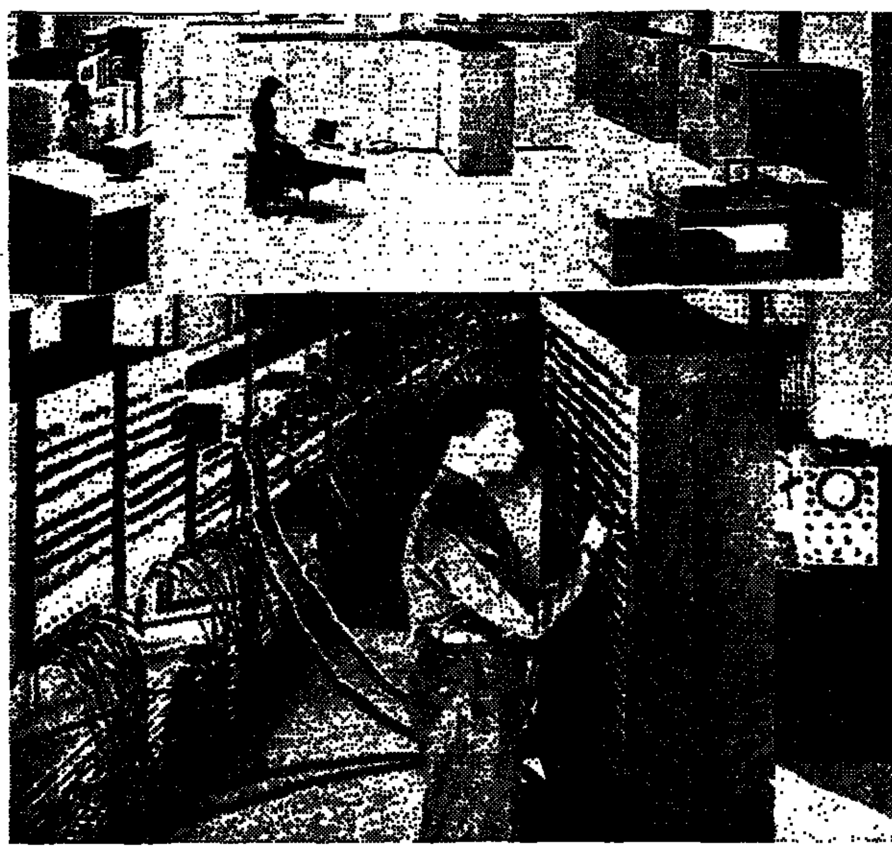
FINANCIAL TIMES SURVEY

# USING COMPUTERS IN BUSINESS



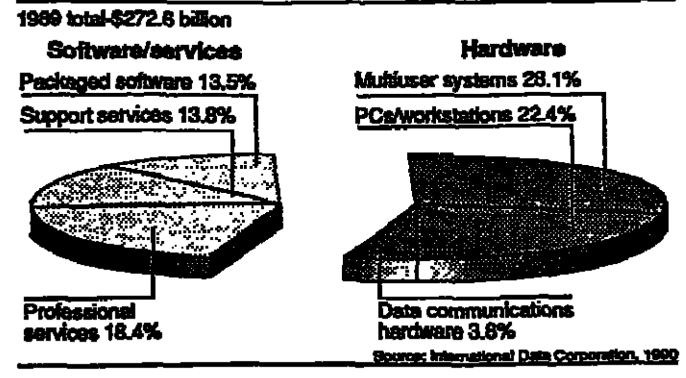
Over the past decade, computers and data processing have become a corporate resource of strategic importance. But many companies still tend to regard information technology as a service tool rather than an integral part of planning, as **Alan Cane** reports

## Soft market for hardware

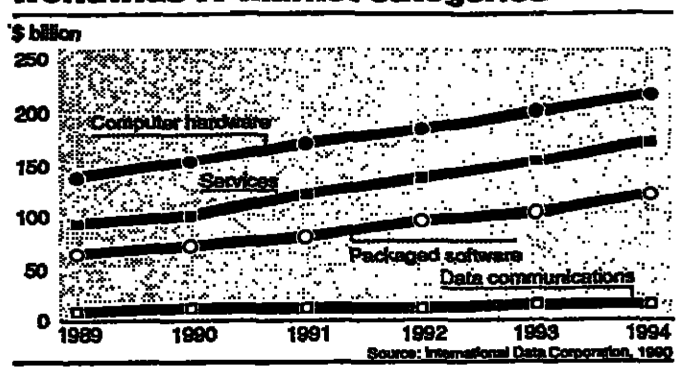


**Progress: the largest model in IBM's System/390 series, top, compared with the 1946 ENIAC calculator. However, the hardware market is softening**

### Worldwide IT market




### Worldwide IT market categories




**IN THIS SURVEY**



*Editorial Production: Andrew Slade*

OVER THE past decade, it has become increasingly recognised that information can be a *corporate resource of great* strategic importance. Such recognition owes much to management academics, such as Mr Michael Porter of Harvard Business School.

In theory, this has elevated computing and data processing out of the role of service *activity and into the position* of key corporate asset.

A recent study by the PA Consulting Group notes: "IT can provide product differentiation, both directly and indirectly, which can lead to the creation of entry barriers, new products, market support, *product support and cost* reductions." However, it adds: "Unfortunately, many companies still regard such technology as a support tool, not as a strategic weapon".

PA's pessimism is borne out by the current state of the world computer industry. According to the latest figures from International Data Corporation (IDC), the value of the world-wide market for IT was $272.6bn in 1989 and is expected to total more than $305bn this year. By 1994, the total will be $472.7bn, of which over half will be software and services and only 48 per cent hardware.

*The compound annual* growth rate between 1989-94 for worldwide IT markets will be 11.6 per cent, IDC says – significantly lower than the 15-25 per cent that has been seen in a number of developed countries over recent years.

However, IDC finds considerable *differences between the* countries it has studied. Japan, it says, spends 15 per cent of IT expenditures on large-scale systems, compared to nine per cent for the US; on the other hand, the US expends 23.5 per cent of its IT dollar on personal computers and workstations, *compared to 15 per cent for* Japan. In the US, 15.5 per cent of IT spending is on packaged software compared to less than seven per cent for Japan. Japan, however, spends 28 per cent of its total for professional services, mostly custom software, compared to 16 per cent for the US.

The difference in spending patterns between the US and Japan is indicative of attitudes to, and the speed of diffusion of, computing and IT in the two countries.

Computing in the US is essentially a mature industry, but it is being influenced by three principal trends. First, a *perennial demand among large* companies for extra computing power which is maintaining growth in the mainframe market at a reasonably healthy nine per cent or so. IBM, for example, the world's largest computer manufacturer with some 60 per cent of the world *market for large systems*, reckons that its mainframe business is growing at up to 13 per cent annually. Recently it announced a new mainframe product family, the System/390 range, designed to satisfy customer demand for higher performance, ability to connect *machines from different* manufacturers and ease of use.

Second is "downsizing", the move to smaller, cheaper systems made possible by the use of advanced microprocessor technology and open – or common – standards. Gross profit margins on systems built from standard microprocessors are significantly lower than on *those* built from proprietary hardware. This explains the predicament of several traditional and minicomputer manufacturers including Data General and Wang.

NCR has announced a complete product family from laptop computers through to mainframes constructed entirely from Intel microprocessors. The buzzword for the new trend is "client-server" computing, coined to describe a form of distributed computing based around datacommunications networks. "Servers", which can be any size of machine from workstation to supercomputer, store information and deliver data or computing power to the network. Individuals carry out their computing tasks at personal computers or workstations, sending requests to the server for information from corporate files or for extra number crunching power.

In a sense, client server computing represents the return of corporate computing from the anarchy of stand alone personal computing, where the data processing manager had greatly diminished control over corporate information or the data processing budget.

The third trend is more worrying. There is a significant softness in the US computer market caused, apparently, by a feeling among customers that they are not getting value for money from their investment in IT.

This softening has affected every computer manufacturer; those with existing difficulties were especially hard hit – for example, Unisys, which has been going through the throes of the integration of Burroughs and Sperry. Mr James Unruh, newly appointed chief executive, points out that the company's inventories of open systems equipment grew substantially in 1988 in anticipation of a market which was slow to develop: "We increased inventories to be able to serve our customers better, but as we were doing that, the market in the US softened". The US market has remained essentially flat from that point.

There are signs that the same malaise is spreading to Europe. Hardware manufacturers in the UK believe the market is growing at less than 10 per cent.

Computing in Japan, on the other hand, still turns around the mainframe and mainframe systems. There is little use of "packages" – generalised software for specific applications; instead, bespoke software is developed for each customer, generally by teams of software specialists working for the hardware manufacturer.

The personal computer, the mainspring of data processing growth in the US, is only beginning to make its mark in Japan. This is a largely cultural phenomenon. Japanese business turns around personal relationships which do not lend themselves easily to curt messages on computer screens; neither are large personal computers welcome on tiny desks in small Japanese offices.

But just as the Japanese realised the potential of the facsimile machine for transmitting Japanese idiograms and improved its technology, so they are starting a revolution in tiny portable personal computers which can be folded away in a drawer at the end of the day.

The question of justifying investment in IT continues to exercise managers and management academics. The most recent contribution to the debate is a five-year, multimillion dollar study carried out by the Sloan School of Management at the Massachusetts Institute of Technology. It concludes that in the 1990s, continued globalisation and increasingly competitive markets will call for rapid responses and innovative thinking. "*In this* turbulent environment", it says, "information technology will leverage time and human resources".

There is no single, simple answer to the question of justification of IT investment. The Kobler Unit at Imperial College, London University, probably gets closest when it discusses the role of imagination in the use of IT: "The true business potential of IT can only be realised when IT is directed simultaneously towards streamlining a company's internal efficiency, towards enhancing its external effectiveness and towards creating new business opportunities".

RETAILING AND DISTRIBUTION

# Supermarkets take stock of networking

THE DEVELOPMENT of effective computer networks has been a top priority for major retailers over the past five years, and with good reason. Increasing competition means that to be successful, retailers must deliver high quality goods to the right place at the right time in response to minor changes in consumer demand. The problem is logistical, and good communications lines are essential.

Most of the major high street stores and supermarkets are pursuing a holy grail which they will probably never achieve; the elimination of paper-based administration in favour of electronic systems. This means that while the goods flow smoothly through the supply chain, in response to customer demand, the documentation and most of the money should move electronically and without human intervention.

The most obvious example of the progress made in this area can be seen in any large supermarket, where bar-coded prod-

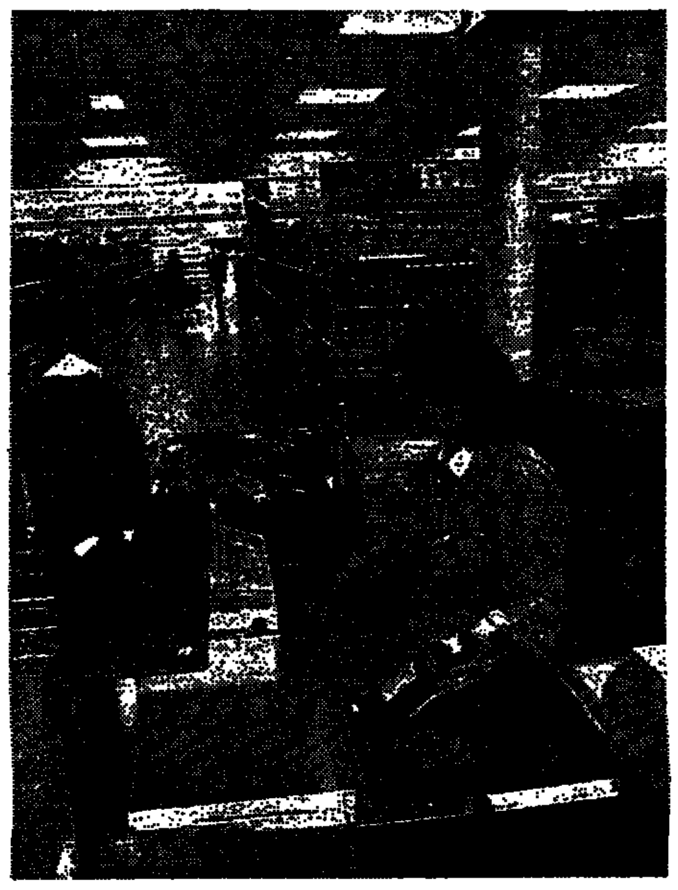
## The branch is supported by a growing electronic infrastructure

ucts mean that stuck on price labels are no longer required and that stock taking can be carried out using portable bar code readers. The next stage, which no-one has yet achieved, will be to stock take automatically by counting goods as they pass through the scanners at the electronic check-out tills.

According to Mr Keith Farquharson, a senior consultant with Andersen Consulting, the large supermarkets and high street multiples are now very advanced users of information technology. But "the message you get from them is untypical. I would say the retail industry is behind many other industries." Smaller retailers, he says, can find the technology difficult to justify and install.

In the larger organisations, the branch outlet is increasingly supported by a complex and growing electronic infrastructure. In most cases, their computer networks can be divided into three separate logical applications, all of which need to interact if the systems are to be totally effective.

The first part is the private network. During the late 1980s, most retailers completed the first phase of their networking



Bar-coded products have made price tags a thing of the past

plans by linking branches, depots and head offices. With the exception of one or two companies, the large retailers have achieved this using private computer networks permanently leased from British Telecom or Mercury.

These networks have multiple applications, but the primary one is to monitor transactions and manage the movement of stock. Using the network, branch managers can order replenishment stocks by tapping into the mainframe computer, either by using a direct terminal connection or, in the larger supermarkets and department stores, by sending orders via a local branch in-store computer. The mainframe will compile a "picking list" of goods and send it over the network to the depot computers.

The second network application is electronic funds transfer at point of sale (EFTPOS). There are two problems for the retailer: settlement and authorisation. Settlement systems must capture the whole transaction and send the details through the retailer's network before being passed on to banks or credit card companies electronically. Most retailers can use their corporate network to transmit these details on a daily basis.

Authorisation presents a more immediate problem. The danger of fraud means that electronic links must be put in place between the retailer at branch level and the credit card service companies or banks which authorise the transaction. Retailers have come up with a variety of solutions: some have linked their private networks directly to the credit/debit card authorisation services, but most use terminals which automatically call-up for authorisation on an ad hoc basis over the public network. One company, the DIY chain Do It All, has even tried using radio to transmit details of transactions for authorisation.

The third network application involves establishing electronic links with suppliers so that goods can be ordered and invoices received on an automatic or semi-automatic basis. According to Mr Farquharson, "In the 1980s we saw a lot of effort being put into private networks. In the 1990s it will be the links back down the supply chain which attract most of the attention."

The favoured way for suppliers to exchange computerised information is via Tradanet, an electronic data interchange (EDI) service operated by International Network Service, a joint venture owned by ICL of the UK and GE Information Services of the US. Tradanet operates as a "store and forward" service for machine readable electronic documents. Mr David Morley, a director of INS, says that at least three quarters of the top 100 retailers and their suppliers now use Tradanet for exchanging either orders, invoices or both.

The widespread use of Tradanet in retailing can largely be attributed to the success of the retailers, through the Article Numbering Association, in ensuring that common electronic document formats were agreed at an early stage. Today, all the largest suppliers and retailers use the same bar-coding systems and the same electronic forms for invoices, orders and other documents. At a retailing conference last year, the ANA was described by Mr Colin Smith of Proctor and Gamble as "the most successful forum ever developed in the UK by any industry I know for the development, agreement and application of common standards."

The most popular application is ordering. In most cases, orders for more goods are automatically sent out to suppliers via Tradanet when the stock levels recorded on the mainframe fall to a certain level. Thousands of orders can be sent out in one short transmission from the retailers computer centre to the Tradanet "postbox". These orders are then collected by the supplier's computers.

Some retailers, notably Gateway and Sainsbury's, also receive invoices through EDI. Invoices received in this way are automatically matched to order notes, paired off and payment authorised. Manual intervention is only required if there is a discrepancy.

Retailers are aware that they will never get all the benefits of EDI until all or most of their suppliers also use the service – and although the largest

## Electronic document formats were agreed at an early stage

suppliers have embraced the technology, smaller firms may not have the experience, expertise or inclination to set up and manage a computer system to collect or send EDI messages.

In order to encourage the use of Tradanet, some retailers provide technical support and assistance to try to encourage suppliers to join the service. Others use their purchasing muscle: Gateway, for example, intends to make the use of EDI – on magnetic tape if not over a network – part of its terms and conditions of trading. Marks and Spencer, which orders more than 90 per cent of its goods using Tradanet, has also acquired a reputation for leaning hard on its suppliers to join the network.

As the use of EDI brings retailers and customers together, other applications which benefit both retailer and supplier are being developed. Mr Morley of INS cites demand forecasting, in which the retailer sends the supplier its sales estimates, as a new application which should help the supplier to plan ahead more accurately.

**Andrew Lawrence**

Companies and users have been hit hard

# Staff shortages bite

THE RATE of growth of the computer software and services business has become a sensitive indicator of industrial activity. Computers underpin so much of modern commerce that new business initiatives are almost impossible without new systems and applications software to back them up.

Over the past two decades, a major barrier to progress in commercial data processing has been a shortage of computer specialists, which has led companies to take extraordinary steps.

Texas Instruments, for example, the US-based semiconductor manufacturer set up a software company in India, linked to its US headquarters by satellite. Specifications for new computer programs were sent by satellite transmission to India where they were turned into computer code by Indian software specialists and transmitted back to headquarters.

However, at least in the UK, the current economic situation has reduced demand for software specialists both within user companies (organisations that help in-house computer departments to maintain and develop their company's computer systems) and in the computing services industry itself.

Earlier this year, the National Computing Centre – an organisation dedicated to promoting good data processing practise in UK companies – put the number of people working for user firms at about 175,000 and suggested that the current shortfall is a little less than 20,000 people. Extrapolating that trend gives a shortfall of 35,000 in two years' time and 50,000 by the mid-1990s.

The onset of economic downturn, which for many companies became seriously apparent in the middle of this year with the postponement of many large capital investment projects, has changed the picture somewhat. According UK-based consultancy Pedder Associates, the number of job vacancies has hit an all-time low. That is borne out by estimates of the level of job advertising in the UK. Computer Weekly and Computing, the principal vehicles for classified advertising, report that volume is down by about one-third. A year ago, they were carrying 70 pages of job advertisements every week; now it is only 50.

Moreover, growth in the computing services industry – a particularly sensitive indicator – has come to a standstill. Figures prepared by the Computing Services Association (CSA) suggest that there may be a net decline in staff numbers over the next few months.

This would be the first time that staff numbers had fallen since the early 1970s. The CSA notes: "The rate of expansion of overall business fell markedly in the second quarter of 1990. It has clearly dropped from the 20 per cent plus growth of 1988-89 but has not yet gone negative. Similarly, the growth rate in staff numbers has been falling for five consecutive quarters but has not yet passed through zero".

There are hopes that falling interest rates and the UK's entrance to the European

## Growth in the computing services industry has come to a standstill

Exchange Rate Mechanism will boost the economy and open the door to many of the postponed capital investment programmes. The shortage of experienced computer professionals will immediately make itself felt. What can be done?

A first option for companies is investment in technology. The data processing industry has been slow to make use of computers to help develop computer software. Writing software is still more of a craft than a science. There are well established methodologies – ways of tackling a software project – and some of these have been automated, that is turned into suites of computer programs that can be run on a personal computer.

The ultimate aim is the "software factory" where the specification for a particular piece of software is fed in at one end of the system and fault-free computer code emerges at the other.

Developments of importance in automating software development are "fourth generation languages (4GLs)" which make it possible to generate computer code from simple, natural language instructions and computer-aided systems engineering (CASE).

There has been a flurry of interest recently in a new software technique called "object orientated programming". The benefit of object orientated languages, such as Small Talk or C++, are that they make it possible to model the structure of the organisation more closely in software than with other languages. There are other advantages. Object orientated software modules can be used time and again rather than having to be reinvented with each new system and they are significantly easier to maintain – that is, to modify or extend. 4GLs, CASE and object orientated programming can make it possible to do more with fewer programmers, but there is a cost. The amount of training required should not be underestimated – programmers brought up on third generation languages such as Cobol or Fortran can find it disturbing to have to learn the different techniques associated with, say, C++.

A second approach is to buy in expertise from outside, known as "outsourcing". This can be a valuable technique for dealing with peaks and troughs of work, but it is expensive and leaves sensitive systems development in the hands of people whose first loyalty is not necessarily to their employer. On the other hand, the CSA is mounting a campaign to persuade compnaies to contract out data processing.

Overall, however, a shortfall in specialists hits services industry companies as hard as it hits users.

The most important approach, it seems, is also the least glamorous. It will involve wide ranging changes in recruitment and training, and improved career prospects for data processing staff. Butler Cox, a London-based consultancy, says the aim must be to create an environment where staff feel motivated and productive and know that their individual efforts will be appreciated and acknowledged: "Without these investments it will not be possible to staff the systems function so that it can satisfy the new and changing demands being made by the business".

**Alan Cane**

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FINANCE

# Value for money?

LAST MONTH, senior representatives from 45 financial institutions gathered in London for a seminar on Value for Money in Information Technology, convened by management consultants Price Waterhouse. The attendance indicated just how concerned the financial sector has become with justifying its huge investment in computer systems.

"Value", says Mr Bob Pamplin, a Price Waterhouse financial consultant who chaired the seminar, "is in the eye of the beholder." Bankers know their business is contained in bits and bytes whirling across computer networks. They are also aware of the cost of keeping up with the technology.

The Leeds Building Society has just spent £8m on a computer system. Most of this money went on mainframe hardware from Unisys, marking a departure from IBM.

Mr Mike Blackburn, chief executive with the Leeds, says: "The choice of Unisys was entirely business related. IBM couldn't provide the solution we wanted to run mortgage administration. Unisys had a system that had gone in and worked at Skipton Building Society."

All Mr Blackburn wanted was something that worked for the Leeds' 500,000 mortgage payers. "Mortgages are our core business. This system had the speed of operation we needed." Speed of instalment mattered too, and the Leeds set Unisys the tightest deadlines. The system was installed and running inside nine months.

Mr Blackburn is resigned to large-scale IT spending. But he protests that no IT sale to his society will be a walkover. Cost efficiency and contribution to customer service are the yardsticks he applies.

Important IT investments do not have to run into six figures. The Leeds has installed an intelligent knowledge based system (IKBS) in 20 pilot branches. IKBS are related to the exotic technology of artificial intelligence, but work on a simple principle.

In this case, rules and directions are fed in to the software, called Cross Sell Manager. This provides sales staff with quotes tailored for individual customers. Cross Sell Manager was installed for several thousand pounds. According to Mr Blackburn, staff using it have doubled their sales hit rate.

Value for money means spotting software that frees employees from time-consuming tasks. It also means knowing when to let someone else drive the computer. This is an approach that both Barclays and Nat West have pioneered, but which has taken them in different directions.

Barclays had seen computer equipment proliferate to the extent that the bank had maintenance contracts with over 270 suppliers. The resulting costs and administrative burden led Barclays to sign a £50m third party maintenance (TPM) contract with Olivetti.

Better known for its computer hardware, Olivetti has branched out into TPM. Barclays gets the services of Olivetti engineers, who maintain 95 per cent of its computer and office equipment. Mr Bernard

## IT investments do not have to run into six figures

Scott, director of information systems at Barclays, estimates savings at between £5-£10m per annum. "There are great economies of scale. We tried to put everything into the contract that we reasonably could. Olivetti looks after all the peripheral equipment, from hole in the wall machines to bomb detectors."

Barclays' deal with Olivetti lets someone else worry about branch automation. The benefits of such 'one stop shopping' are clear to Mr Scott, but the bank's mainframe computers are still in the hands of its own data processing department. Allowing a third party to run your central computer installation is a big step.

The name of this game is facilities management (FM), and it involves bodies as well as equipment. The idea is to hive off the human and technical problems inherent in a large computer site. Electronic Data Services (EDS) is a leading practitioner, and counts Nat West among its customers.

Mr Ranald Bain, director of finance and insurance sales at EDS, thinks that the quest for value is on his side. "Nat West has gained predetermined prices on projects and transfered the risks to us, should we get it wrong."

EDS' assignments at the bank tend to be in the area of accounting software. These are projects that Nat West could handle itself, but without offloading responsibility for meeting deadlines. "The do-it-yourself attitude is waning", says Mr Bain. He confirms the wisdom of the Leeds in choosing a mortgage system that had already been selected by a rival building society. "Research is very important. Whatever you want, someone, somewhere has done it before."

Mr John Wallace, general manager for information technology at Nat West, agrees. On January 7 next year his department opens a brand new computer centre in Staffordshire. "The site is 40,000 square feet, and there will be no unproven technology there." Leading technology has no appeal to those who must justify the cost.

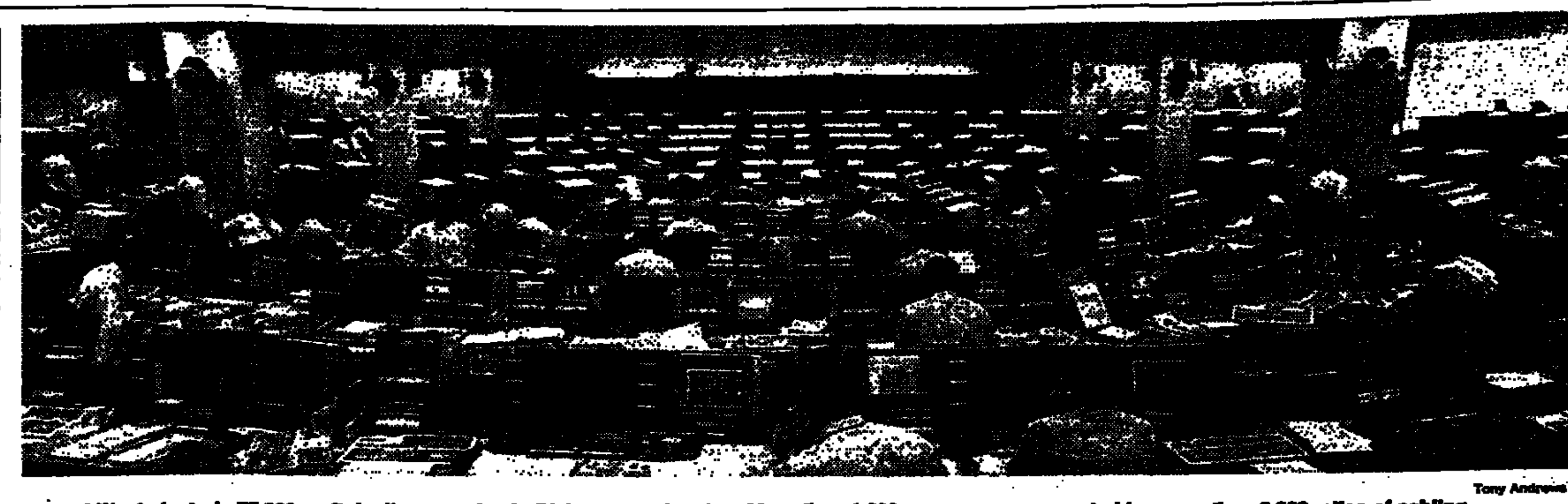
"My department charges out expenditure to the business units. They already think IT is expensive. I've got to demonstrate that it works", says Mr Wallace. Fixed prices and deadlines make outsourcing and companies like EDS attractive.

Nat West has a £1bn budget for capital investment in IT for the five years to 1995. But this scale of spending does not represent a blank cheque. If a third party can bring expertise to bear on installing one package, then the operation goes out to tender.

Nat West's own Centrefile date-processing subsidiary has to face outside competition when bidding for work within the bank. It makes a healthy £11.6m pre-tax profit for the Nat West group.

Mr Wallace prefers to go with whatever works, leaving the illusion that IT provides perfect solutions to other industry sectors. "I've heard it said that nobody has got a real payback from their investment in IT. But then there is no real choice. The bank runs on IT. Our highest priority is keeping those systems up and running. If they stop, the bank will seize up."

**Michael Dempsey**



Tony Andrews

National Westminster's 75,000 sq ft dealing complex in Bishopsgate, London. More than 1,000 screens are connected by more than 2,000 miles of cabling

Alan Cane on executive information systems

# Tools for managers

ASK A layman how computers should be used in business and the answer would almost certainly approximate to what we now know as an executive information system (EIS).

Most companies now base their management services on a computer system. Most collect thousands of bytes of data about the company, the market and its competitors which are stored away on disk or tape and never see the light of day.

The purpose of an EIS is to extract useful information from that ocean of data and make it easily accessible to executives who may have neither the wish nor the skills to use a computer.

The idea, essentially, is to provide in vivid, electronic form the monthly paper reports on which executives make business decisions.

EIS have their origins in two separate technologies. First, decision support. This was popular in the 1980s as a technique for pulling together significant information from a corporate database.

Though were a great step forward, decision support systems had one disadvantage – they were designed to be used by data processing specialists rather than business executives.

The second technology solved that difficulty. It involved a variety of methods of displaying the information simply on a personal computer screen. Graphs of business performance were generated in full colour, making them easy to understand. Touch screens were used to overcome executives' antipathy towards keyboards.

Ms Clare Gillan, an analyst with the International Data Corporation in Framlingham, Massachusetts, sums up: "An EIS is a decision support application which focuses on the needs of top-level management. It is data-retrieval intensive and normally provides an intuitive user interface. The primary object is to enable executives to monitor more effectively key business factors".

The features usually found in an EIS include:

- the ability to "drill down" into the data to look at particular phenomena in detail;
- exception reporting, to give executives a quick fix on out-of-the-ordinary results;
- access to external databases such as Reuters or Dow Jones;
- integration with office systems to facilitate communication between members of a workgroup.

Ms Gillan says that EIS is among the fastest growing business applications today. "In 1989, worldwide revenues grew by 82 per cent to just over \$50m. During the next five years, the EIS software market will quadruple to \$230m", she says.

Ms Gillan's conclusions are confirmed by studies carried out in Europe by Business Intelligence, a consultancy specialising in computing for management.

It says: "The 1990s will be the EIS decade. In a four-year period from 1989 to 1992, the European market for EIS will quadruple in value, from just under £20m to £80m. The UK represents the largest market for EIS in Europe and will continue to grow in line with this trend".

## 'The UK represents the largest market for EIS in Europe'

Business Intelligence says there are two significant trends:

- EIS had been restricted by price to larger organisations. Now it is being used by smaller organisations in both the public and private sectors as software prices fall and awareness of the business potential of EIS spreads;
- EIS technology is spreading to management and professional staff below board levels.

Business Intelligence goes on to say that price (EIS have been very expensive) is only a major consideration for less than half of those buying a system. Ease of use, functionality and ease of development are much more important.

Principal interest in buying an EIS is to improve management. The three most frequently mentioned objectives for using EIS are to improve strategic planning, financial control and forecasting.

The consultancy points out, however, that only half the organisations in Europe that are currently EIS users are satisfied or very satisfied that EIS has improved executive decision making.

That complements a study by Mr David Delong at the Massachusetts Institute of Technology, who found that more than half of the EIS systems he investigated in the US failed to provide real advantage for their purchasers and as many as 70 per cent of EIS investments, many worth over \$1m, have yet to provide a measureable return.

How is it possible to reconcile optimistic forecasts of market growth in EIS with apparent disappointment by users?

According to Business Intelligence, the fault lies less with the technology than with an understanding of what senior management requires: "What has been learned by all EIS users is that development of effective systems for top management is a major challenge. EIS demand new approaches to implementation and the ground rules are still in the process of being established. Every stage, from defining the individual information needs of directors through to the development of systems that senior executives want to use, pose unique problems for developers".

Until recently, there were only three commercial EIS available: Commander EIS from Comshare, Command Centre from Pilot (distributed by Thorn EMI Computer Software in Europe), both of the US, and Resolve from UK company Metapraxis.

Today there are some 14 products including Epic EIS, Express, Holos, Executive Decisions and Metaphor. IBM has introduced its own EIS, Executive Decisions. Companies like the SAS Institute with skills in numerical processing and graphics displays are begining to see EIS as their natural market. Commander EIS, with a 26 per cent share, is the market leader.

Metapraxis believes it has gone some way to solving the problem of dissatisfaction among EIS users with a new version of Resolve, Resolve 2000, which, the company says, unites long term business planning with short term performance.

The software includes a management library with a stock of business review techniques for cash-flow forecasting, budget reviewing, calculating margin improvements and cost reduction exercises.

EIS are not magic; the kinds of views of corporate information a senior executive might want to see have to be predicted and the necessary graphs or charts programmed. It may require a third technology, artificial intelligence, to give EIS the performance needed for complete success.

## Shop floor systems tend to be limited, writes John Dwyer

# Industry unimpressed

THE MIGHTY microchip is at last reaching Britain's shop floors, but UK *industry* seems unimpressed by the apparent benefits of networking.

According to Benchmark Research, engineering companies spent £3.1 billion on computer hardware and software last year. Manufacturing management systems accounted for £442 million of this. Most of these are stand-alone *manufacturing* resources planning or shop floor data collection systems. If there is a link to another application, it tends to be to the accounting system. This applies in roughly half the cases. Two-thirds of such linkages are proprietary, reducing the likelihood that the links used will be extended to other applications.

The case for networking is compelling. Cheap microelectronics make it easy for a machine to collect data and take its own pulse as well as doing its *main task*. The machine can measure the parts it makes and tell the operator when one of its motors is getting hot. The punch clock is giving way to the time and attendance terminals linked to the payroll system.

Isolating such individual *marvels from each other* reduces their total value to a fraction of its potential worth. *For example, scheduling* systems can take account of the fact that a particular *machine needs special skills to* use it. This is an obvious case for linking the time and *attendance system with the scheduling* as well as with the payroll system. This would allow a *scheduler to work out* quickly whether there were trained operators available.

Once a *new schedule* is worked out, a network can ensure that the right parts, tools and *programs* arrive at the alternative machines. A visual display then tells the operator how many of each part to make to meet the revised schedule.

"Open systems" networks, those conforming to interna*tional standards, are tolerant* of users' early mistakes about what to link and what to leave *isolated. They are largely* future proof. This is why they are the spinal chord of so-*called computer integrated* manufacturing (CIM) systems.

The aims of CIM are sum*marised by Professor Paul* Ranky of Surrey University, an authority on manufacturing techniques. They are to link, eventually, a company's business information system with its *computer* aided design, computer aided manufacturing and production and assembly systems. Information about design, schedules, machine programs, work-to-*lists*, instructions, bills of materials, orders, stock and work in progress levels, quality and hours worked would be freely available to whoever needed it.

*Many large companies are* committed to installing wide area and site-to-site communications. *Examples include* US computer giant Digital Equipment's Easynet, Ford's Ford *Communications Network, and* the networks Jaguar and Rover lease from British Telecom to *link their plants.*

But most such systems are business networks, not shop floor systems. The shop floor communications systems which have been installed tend

GM's Manufacturing Automation Protocol in use at the company's Pontiac East assembly plant

to be limited to parts tracking or the distributed numerical control of machine tools. Parts tracking, using bar-code labels to follow products through the production process, has been forced on most non-automotive manufacturers by either mili*tary contracts or product liabil*ity legislation. Car and computer manufacturers' assembly processes are *so complex that* parts tracking is vital.

Though many of the suppli*ers of parts tracking and DNC* systems pay homage to "open systems", the networks their *systems use tend to be dedi*cated, proprietary systems not connected to any other application. For *most of British indus*try, the integration of different interacting computer-based applications from different vendors on one network is a long way off.

Jaguar, British Aerospace and ICL are among the few to invest much time *and effort* in installing true, universally used local area networks *(LANs) at the shop floor* level. All three received grants from the Department of Trade and *Industry (DTI). Jaguar, though* admirably persistent, has found shop floor networking *immensely difficult.*

BAe did its pioneering work mainly in a collaborative proj*ect under Europe's Esprit* collaborative R&D programme. Its main communications show*case, in Preston*, uses a LAN to control the running of a flexible manufacturing system. This remains almost an isolated example of its type.

*ICL installed a pioneering* open systems LAN in its Kidsgrove factory, but the system *is largely unused.*

Industrial networking was once the hottest technological *topic in UK manufacturing. In* December 1986, 7,000 of Britain's most senior managers *huddled through "Cimap", an* industrial networking demonstration held by the DTI. The *department* awarded a three-year contract to Pera to run an industrial networking information centre, the Comcentre. Expected to become self-funding after three years, the centre has closed.

Why has interest evaporated? One reason may be the perceived collapse of the General Motors Manufacturing Automation Protocol (MAP) initiative. MAP promised a single, factory-wide, international *standard LAN which every* shop floor device could plug into. All MAP connected devices could, in theory, intercommunicate with all others, no matter who supplied them.

MAP and its successors continue, but, for now, they have lost their audience. Potential users have grown tired of waiting *for* machine-tool and other suppliers to provide MAP-standard interfaces. The machine-tool suppliers say there is no demand. The MAP vendors are tired of explaining to suppliers that the market will not develop until they make MAP connections available, and soon.

Equally important, suppliers of applications software, such as spreadsheets and manufacturing resources planning systems, are only slowly taking account of the problems and opportunities of open systems networking. Few *provide* the vital networking software hooks.

The picture *is not completely* bleak. Many networking projects are going ahead without *publicity*, particularly *among* auto-industry suppliers. Belfast plane maker Short Brothers *has reduced manufacturing* lead times from 14 weeks to four since it installed a job-*tracking network.*

But networking has partly been overshadowed by other considerations. Users *know* factory network standards are on the way and have opted to wait until they arrive *before* adopting *them*. Databases have become a much hotter issue. These tend to rely on proprietary networks *and promise*, at *first*, to do more than can be claimed for networking alone.

Factory managers now *see that only 10 to 20 per cent* of what were perceived as "production problems" originate on the shop floor. They *are* beginning to simplify their operations. And there is a long overdue trend towards *giving* operators more responsibility both for the products they make and the machinery *that* makes it.

Networked information can "de-skill" jobs. *This* usually results in lowered motivation and morale, despite the apparent advantages *to management*. Ranky notes that "CIM projects will inevitably fail *unless management recognises* that CIM is foremost an organisational or human rather than purely *networking* or other technical problem".

For all these reasons, manag*ers are now much less preoccu*pied by communications inside the factory than by communi*cations outside*, with suppliers and customers.

The European car industry, *for example, has* been exchanging orders and invoices electronically for years using elec*tronic* data interchange (EDI). It is now trying to find ways of exchanging computer aided *design* data among the industry's suppliers and customers without the expense of permanently rented BT lines.

*John Dwyer is Editor of Works Management*

## EDI

# Business slow on the uptake

FOR A technology still in its infancy, electronic data interchange (EDI) has a powerful reputation. Almost all of the UK's leading retailers and manufacturers not only sing its praises, but are endlessly trying to persuade their trading partners to take it up. Analysts say EDI will become as essential as the telephone; and when companies are asked which new technologies they think are important, it always *appears near the top of the list.*

EDI, in its most strict definition, involves the electronic *transfer of structured business* documents between different company's computers via a *third party (a value added net*work [VAN] service provider). Unreliable postal services and *expensive manual rekeying of* information is avoided; documents can move from com*puter application to application* without manual intervention. It appears to be a simple but

### Analysts say EDI will become as essential as the telephone

strategic technology which offers immediate and growing business benefits.

Despite this, however, EDI is not as widely used as the hype might suggest. In the UK, Europe's biggest EDI market, the three major value-added EDI service operators — INS, AT & T Istel and IBM — have been recruiting subscribers for several years. So far, only about 3,000 UK businesses use their services, some of which were *cajoled by larger* trading partners rather than being persuaded of the benefits.

Penetration in Europe is even lower. Market analysts Ovum estimate that across Europe, including the UK, only 5,000 of six million organisations use EDI services. At a recent EDI conference, one speaker pointed out that more messages pass across the Swift international banking network in two days than across all the EDI networks in a month.

Mr Phil Coathup, business development director of AT & T Istel's EDI division, admits that the technology has been over-hyped, but says that needed to be done to raise awareness. EDI is usually taken up by groups of companies who join together for a specific trading purpose, such as the *supply* of food to retailers or parts *to the motor indus*try. It is not something that can be done privately, quietly or without *advanced publicity*, planning and co-operation.

Either EDI is a technology *which is only beginning* to take-off, or it is less attractive in practice than on paper. Until *recently the former* view held sway, but the low take-up figures, coupled with the develop*ment of new* technologies and standards, have led to suggestions that EDI may prove to be a case of technology hype.

That view is supported by Mr Peter Lines, *director* of European research at Input. "The provision of EDI services seems not to be the fulsome area everyone thought it would be. To date, a lot of EDI has happened because big companies tell their suppliers to do it." He believes that in future, more companies will set up *direct* computer links with trading partners rather than use third party VAN services. This is already more common in continental Europe, he points out.

Mr David Lewin, a *director of* Ovum and co-author of a new 400-page report, "EDI in Europe: the Business Opportunity" *holds* the opposite view. "We think VANs are the way to go, not for technical reasons, but *for business reasons*". Ovum predicts that the $96 million European EDI market in 1990 will be worth $396 *million* in 1994.

The development of the international open system X.400 electronic message handling standard is the joker in the pack which has put the analysts at odds. When these are fully developed and implemented in the mid-1990s, they will make direct, ad-hoc inter-company computer communication much easier, possibly undermining the need for a formal third-party EDI service. Moreover, by adopting these new standards, European tele*communications carriers* might find it easier to offer extra services in competition with the *EDI service operators.*

Mr Lewin believes that although some companies will *take advantage of emerging* international standards to communicate directly with trading *partners, most will prefer to* use a third party, for several reasons.

For *example*, EDI *networks* operate rather like large sorting offices for electronic post. *Companies find it easier to* "post" all their electronic documents into one mailbox rather *than set up direct links with* every organisation they do business with. The EDI opera*tor then becomes responsible* for security and for ensuring that documents are delivered.

Ovum *predicts* that *conti*nental Europe will gradually follow the UK in its enthusiasm for EDI. By 1994, 40,000 European companies will be using EDI, compared with today's 5,000. Ironically, the technology which is in its infancy today will actually be nearing saturation among large companies. Attention will then switch to small and medium sized companies and to developing advanced new applications.

Ovum foresees a time when almost all EDI will be carried out using a combination of the United Nations EDI standards, known as Edifact, and the X.400 messaging standards. It also expects a common European legal framework to cover the electronic documentation, probably set down by the European Commission. This "Open-EDI" set up would obviously benefit customers, especially smaller companies, but it would put pressure on EDI service operators to add extra

### EDI networks operate rather like sorting offices for electronic post

value to their services.

Neither INS nor AT & T Istel, the UK's leading suppli*ers, are daunted by the chal*lenge of open systems or the threat of competition from the likes of British Telecom. Both are recruiting more than 50 new customers a month and are now making a steady stream of profits.

Mr Lee Tate, managing director of INS, the UK's leading supplier, points out that the INS service has already enabled 2,000 disparate computers to communicate in business terms without the use of open systems interconnection standards. He believes customers are primarily concerned with setting up specific applications, quality of service, performance and *establishing* contractual liability when problems occur. They are not likely to *cut out the middle*man if it means loss of service.

Ovum views all telecommunications *services* as *third* party communications service suppliers, with EDI operators merely being higher up the value chain than the basic telecommunications carriers.

In most continental European countries, *it is expected* that national carriers will emerge as the leading EDI operators. In the UK, however, BT is a long way behind its competitors; Ovum believes BT will be more successful internationally than inside the UK.

**Andrew Lawrence**

## USING COMPUTERS 6

**George Black** on alternatives to in-house data processing

# Facilities management: a revolution about to happen

FACILITIES management (FM) is computer industry jargon for shifting responsibility for a computing function to an outside organisation, such as a software house.

In the UK at present there are more who claim to supply FM than there are users, but there is growing evidence that it is a revolution about to happen.

The citadel of the data processing department may have been able to defend itself fairly successfully against the invasion of the end-users, but it may soon be stormed by the facilities managers.

The market research company International Data Corporation (IDC) estimates that the UK market for FM last year was $392M and will grow at around 25 per cent a year to reach $764M in 1992.

A forthcoming IDC report on UK software and services shows that the UK is following the trend set in the US towards outsourcing and is the clear leader in Europe. France and the Netherlands are the only other European countries demonstrating any tendency in that direction.

According to IDC analyst Ms Aileen McCardle, local government is driving the move in the UK, as local authorities pre-empt possible legislation forcing them to privatise their computing operations. Manufacturing and banking are close behind.

Cost is one of the main reasons for looking at FM. Whether it really saves money is uncertain, partly because few users know what they spend on computing. They only know it is too much, is rising fast and is apparently not achieving what it should.

In-house departments seem still to be incapable of delivering to a deadline systems which do what they are supposed to. The theory is that FM must be an improvement.

FM is usually run on the basis of a service level agreement, which seems to offer managements the prospect of putting their computing operations on a sound business basis.

In some cases the charge is calculated according to the volume of transactions handled, another feature which is expected to catch on in the next few years.

Staff problems are another important factor in considering FM, particularly in the public sector. It is increasingly difficult for public bodies to attract and keep skilled staff, as their salaries cannot keep pace with those offered in the private sector.

FM therefore has an obvious attraction for local government and regional health authorities (RHAs).

Often, in-house data processing departments transfer in bulk to the FM supplier. FM may thereby serve to re-motivate local authority or RHA programmers and analysts who discover a new career path by transferring to the private sector.

Some FM suppliers, such as Computer Sciences Company, the UK arm of a US software house, put their own team into the client organisation to work with the in-house personnel. Others, such as Hoskyns, the leading UK supplier recently acquired by Cap Gemini Sogeti of France, run the systems at a remote datacentre.

The different ways of running FM have an impact on the user; regular contact with the service provider may make the operation smoother, but also more expensive.

The biggest UK contract for FM to date is believed to be Hoskyns' arrangement with the London Residuary Body, valued at £42m.

Another large FM contract is Birmingham City Council's £30m deal with ITnet, the systems subsidiary of Cadbury-Schweppes.

EDS, the systems arm of General Motors and the top supplier of FM across Europe, recently won a $450 million contract over 10 years with the US commercial bank, First Fidelity. It is among the biggest such deals worldwide in the banking sector to date.

The project aims to consolidate all of the bank's software systems, saving $50 million a year. Some 250 systems will be boiled down to only 60 over 18 months, several data centres will be combined into one in the next six months and some 300 of the bank's computing staff will be transferred to EDS.

This could mark the start of a new trend, not only in US banking but in banking worldwide.

"It's only a matter of time before it happens here," says EDS's director of business development for financial services Mr Ranald Bain.

"I expect to see contracts of up to $100M in the UK in the next two to three years in various sectors. The trend is very strongly established now. FM is becoming a very attractive alternative to the in-house data processing department."

Another reason for considering FM is to diversify a business into an area in which the company has little or no previous experience. Norwich Union has recently entered the health insurance sector with help from EDS, which had previously tackled similar systems in the US; the system went live out of EDS's own facilities last month.

Some of the earliest FM contracts will soon be up for renewal and computer industry attention will be sharply focussed on what happens.

There is speculation that users wishing to change their policy may find it hard to decouple because of systems which their FM supplier has developed, involving esoteric or even proprietary software.

This phenomenon could give a new twist to the old situation of users locked in by proprietary hardware manufacturers. Conflict between users and FM suppliers could then put a damper on the FM market – though probably only temporarily.

The extent to which companies choose to exercise control over their information technology strategy will determine how the FM market takes shape.

Some users now divide IT into operational systems that can be safely outsourced and strategic systems on which they must concentrate.

Mr Simon Ricketts of ITnet argues that far-sighted companies will retain an IT director, backed by business analysts, with firm control over the strategy, but will hand the systems themselves over to FM professionals.

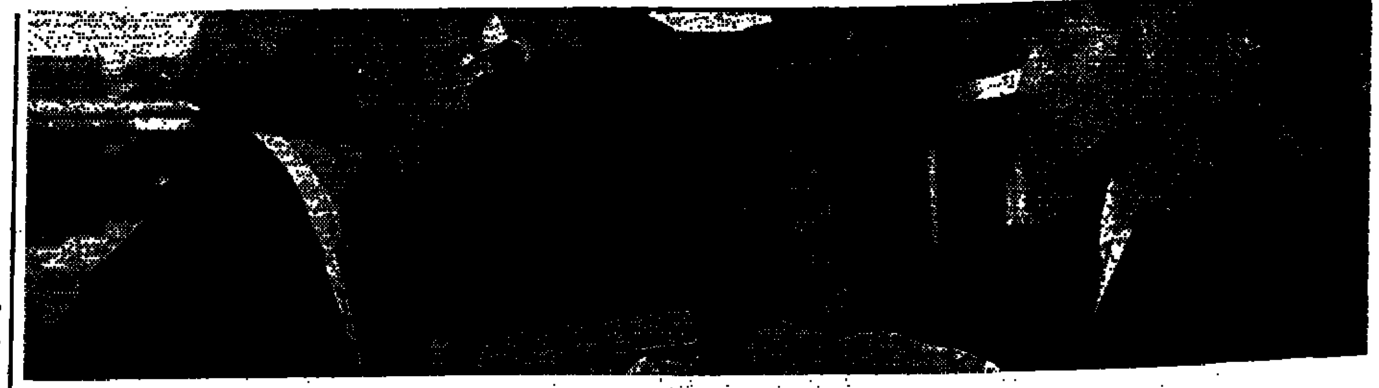
The shift to open systems – systems that can communicate with each other regardless of their manufacturer – which is expected to happen in the next few years is another factor which will influence the growth rate of FM.

If, as seems likely, open systems turn computing into a commodity, then managers may be more willing to let outsiders run their systems.

**LARGEST REPORTED UK FACILITIES MANAGEMENT CONTRACTS**

| Client | Supplier | Amount | Length |
|---|---|---|---|
| London Residuary Body | Hoskyns | £42m | n/a |
| Varity Group (inc Perkins Engines and Massey Ferguson) | Data Networks (Sema Group) | £36m | 5 yrs |
| Birmingham City Council | ITnet | £30m | 5 yrs |
| London Transport | Data Networks (Sema Group) | £22.5m | 3 yrs |
| DRG | Andersen Consulting | £20m | 5 yrs |
| Wessex Regional Health Authority | CFM | £20m | 5 yrs |
| Gloucestershire County Council | CFM | £20m | 5 yrs |

Source: IDC



The four major US airline reservation and information systems are tapped into more than 100 million times a day

## TRAVEL AND LEISURE

# Lifeblood of an industry

COMPUTER SYSTEMS have become the lifeblood of the worldwide travel industry. Airlines, tour operators, travel agencies, railways, car hire firms, ferry and coach companies are all plugging into computerised reservation and information systems, with the aim of improving their service and so their competitive edge.

Two types of system have emerged: viewdata systems that contain details of package holidays as run by UK tour operators such as Thomson and Intasun, and much larger airline seat reservation and information systems that help travel agents collate transportation and accommodation information, mainly for business passengers.

The latter systems are designed to present unbiased advice on the pricing and availability of mostly airline seats, hotel rooms and car hire facilities. Entertainment and weather information is also available online to the PC screens of high street travel agents gleaned from databases across the globe.

The industry has turned to computer technology because it needs solutions to increasing demands placed on its services in the last decade. Cross border international trade and the trend toward more adventurous holiday itineraries has doubled the number of globetrotters in the last five years. The annual turnover of UK travel agents is £6 billion, split equally between those travelling on business and for pleasure. Last year alone, more than 12 million people booked package holidays through these agents.

With this number of transactions to process, as well as the extensive searches undertaken by travel agencies to match customers' needs, it is not surprising that microchip technology is needed to speed up response times at the point of sale.

The US computerised airline reservation and information systems have shown Europe the way to cope with such workloads using technology. The four major US systems are tapped into more than 100 million times a day, mostly without the traveller even being aware of them. The systems, called Sabre, Apollo, Worldspan and System One, are principally owned respectively by American, United, Delta and Continental airlines.

In Europe, two rival airline reservation system consortia have emerged, called Amadeus and Galileo, to keep the US systems and the Canadian Gemini version at bay.

The £200 million Swindon-based Galileo system was created in 1987 by, among others, British Airways, KLM, Swissair and Alitalia. Based on the US Apollo system as the core application, adapted for European needs, Galileo runs off nine of the world's largest and most complex computers from International Business Machines, geared up with software to handle exceptionally large volumes of transactions. The fare quotation system alone has to be able to store up to 55 million individual air fares. British Telecom connects all participating airline locations while processors acroes Europe act as network managers.

The 5,654 travel agents linked to Galileo operate 20,568 terminals between them. They are free to buy, rent or lease the terminals from Galileo, which spent millions of pounds on PCs, communications equipment and software from suppliers IBM, Olivetti and Memorex Telex in the spring.

Galileo recently persuaded Qantas and four East Asian airlines to participate in its reservation system extending the consortium's worldwide coverage. Meanwhile, the East is working on the development of its own airline reservation system, to be called Abacus. The addition of these airlines means that the Galileo consortium can now offer bookings on 383 airlines with information available on a total of 700 carriers.

More importantly, late last month Galileo became the first European-based global reservations system to go live on bookings from the Swindon datacentre; rather than through a complicated switching system back to Apollo in the US. Next month, trials will begin in the UK of a remote satellite ticket printing facility which will enable travel agents to print tickets in customer's offices after taking the booking over the telephone. By next year, the printers will combine the automation of ticket and boarding pass printing.

All these initiatives have put Galileo firmly ahead of its rival, the $400 million Madrid and Munich-based Amadeus airline consortium, backed by Air France, Iberia, Lufthansa and SAS and used by 297 carriers. Amadeus is months behind schedule in releasing its core system because of technical hitches with the presentation of unbiased flight availability information on screen.

The core system for Amadeus is based on System One in the US. International Business Machines shared the Amadeus contract for PCs for participating travel agents, with French computer manufacturer Groupe Bull and German electronics giant Siemens. In the coming months, Amadeus and its affiliates will spend up to £450 million between the three suppliers.

Amadeus claims to have 65 per cent of International Air Transport Association (IATA) travel agency members in continental Europe. Like Galileo, Amadeus has made use of participating airlines' own reservation and information systems in setting up one global network. Both systems complement the more localised viewdata systems installed in travel agents by tour operators.

Galileo and Amadeus are also involved in a recent initiative by the UK's largest hotel group, Trusthouse Forte, to make its own room and reservation system accessible to travel agents via a new computer and network centre based in Phoenix, Arizona. The centre is a collaborative venture by 17 of the world's major hotel groups and is designed to improve the accuracy of information on rooms and prices.

Amadeus also offers booking facilities for rail travel in Germany and France and its systems can offer information on ferries in Scandinavia. Galileo is looking at covering coach tours in Italy and has joined forces with Thorn EMI to develop a machine for British Rail that prints tickets with magnetic stripes encoded with all the ticket information. The machine will be linked to the Galileo reservation system which already provides travel agents with the ability to make InterCity and sleeper reservations.

"We're also working on a confidential project with a European rail company," says Galileo's managing director Mr Mike Thorne. "Rail is a phenomenal market, very much underestimated given the massive investment in rolling stock across Europe," he adds.

Mr Thorne's vision of the future is one where a single magnetic stripe on a ticket for travel by any transport can contain all information about the passenger, details of flights/trains booked, fares paid and baggage being transported. The tickets will be checked quickly and automatically by machine." Mr Thorne continues: "We're trying to move towards integrated systems and documentation so that eventually a bunch of travel tickets will cover all modes of transport, hotel and car hire details", all booked on computerised reservation systems.

But technology has its limitations. On August 29 the US travel industries reservation systems nearly crashed under the burden of a deluge of travellers trying to book discount fares to a deadline. Airline switchboards were jammed with calls and the nation's 35,000 travel agencies had to work through the night handwriting tickets. Demand for the service was the problem, not the technology.

Mindful of what can go wrong, the trade Association for British Travel Agents (ABTA) has set up an advice and computer purchasing support service and a helpline for its 8,000 members. "The technology is being pushed by suppliers and travel agents are confused", explains Mr Richard Dace, senior consultant with the Link Initiative, which is helping ABTA with its service. "Ultimately, the travel agents want terminals that can arrange everything. The technology is already there – it just needs business demand to catch up, which won't take long."

**Lindsay Nicolle**



**Martin Banks** investigates the Unix controversy

# A new market standard?

IF THE basic concept behind an industry standard is the fact that every individual within that industry's customer base uses it, then the nearest the computer industry has come to a standard has been the IBM PC and its related Microsoft operating system. It is that target, and more, to which the leading Unix systems suppliers are now addressing themselves.

The key advantages of Unix relate to its potential as an industry standard, and by the same token this has been its biggest downfall. It has become controversial, not least because virtually every company supplying Unix-based systems has developed their own, unique, version of the 'standard'. They are all tantalisingly similar, but sufficiently diverse to ever be a single different system.

That is why Unix, until now, has rarely penetrated deeper into the commercial and business market than specific applications areas, such as accounting systems. Until the arrival of the PC as a reasonably powerful, connectable, pan-application platform, the typical business computer user was trapped in the world of proprietary systems.

But users, having taken to the PC and its networking and connectability, have wanted more. It is from them that the push for Open Systems has come. And it is here that Unix, despite its problems, can come into its own as a major system for the business market.

The fundamental concept of Open Systems is the ability to link any computer to another, communicate between them, share information and applications, and generally distribute the processing work to the most appropriate system, regardless of who makes it and how it works. This requires an operating system which is common to all suppliers. If only by default of being the only viable option, Unix is that system.

Perhaps most important, its historical disadvantages are being whittled away by developments within the computer industry and its users. Factors such as the downsizing of hardware, where the same performance is available from computers of smaller and smaller size and consequent lower cost, make the PC an excellent platform for Unix.

Companies such as Sun Microsystems are now producing high powered graphics workstations at the same price as a top-end PC. These, coupled to the current or planned appearance of traditional PC applications such as Lotus 123 and Ashton Tate's dBase in Unix form, are driving these high-performance machines into the commercial marketplace.

This brings about one of the most important forms of standardisation possible – the marketplace deciding what it wants and settling for it. In practice, the market seems to be settling for just a few Unix platforms as the norm.

For example, Mr Scott McNealy, president of Sun Microsystems, claims that the Sun Application Binary Interface (ABI, the specific way in which any application program works with the processor chip) is now the third most widely used after the IBM PC and the Apple Macintosh. He also claims that Sun has 71 per cent of the Reduced Instruction Set Computer (RISC) workstation market and will have more next year. RISC systems are one of the key hardware platforms for Unix-based systems.

Unix is, therefore, already on the dominant ABI in the industry, the Intel-processed PC, and all the RISC-based workstation systems, with Sun being the biggest player. Now Intel, itself a supplier of Unix for its processors and leading independent Unix vendor, Santa Cruz Corporation, have come together with Unix originator, AT & T, to formulate and finalise a common ABI for all their versions of Unix for the Intel processor range.

It will, they intend, soon be possible to run common, 'shrink wrap' packaged applications on any Intel-based hardware running one of these versions of the operating system.

In essence, a situation analagous to the PC market will have appeared. Users will be able to buy one application and run it on a number of different machines.

The growing dominance of Unix systems from the likes of Intel/SCO/AT & T and Sun Microsystems, coupled to the increasing acceptance of broader industry standards, will create an environment in which practical communications and inter-operability between different systems will be achievable.

As that starts to happen, the true potential of Unix as the 'glue' in practical Open Systems may be realised. It is then that it may truly break out of its current niche commercial market of multi-user accounting systems.

It is already seen by many, for example, as one of the key systems for more flexible networking. Most current network systems, however well they operate, tend to be restricted to a particular class or make of system. The most obvious of these are truly proprietary systems from the major manufacturers. But even those which are more broadly based, such as Novell's Netware and Microsoft's OS/2 LAN Manager, are strongly oriented towards a system classs, the PC.

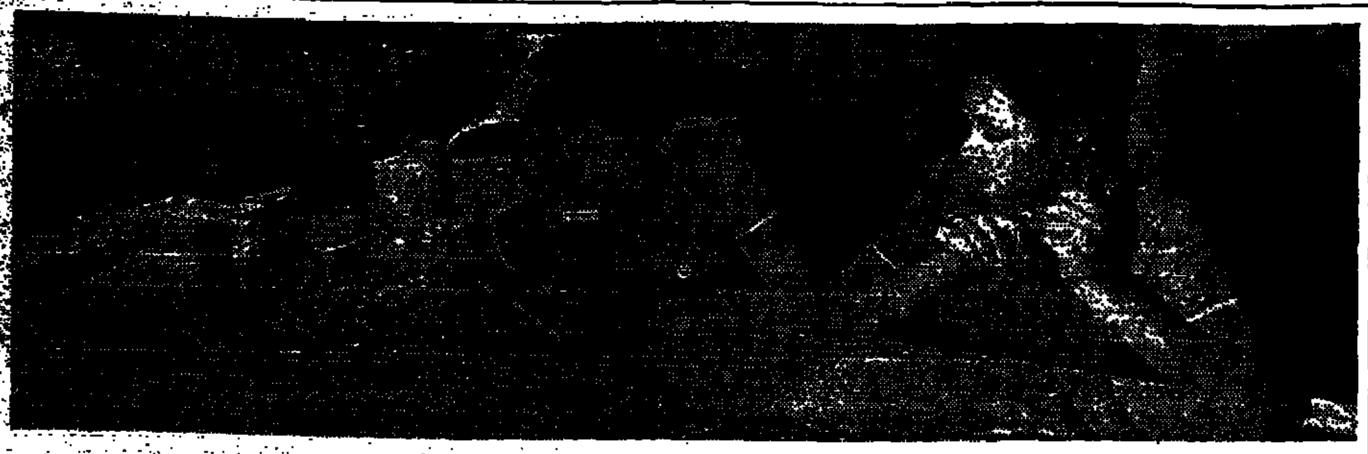
Unix, according to its devotees, offers much wider flexibility. In a networking implementation, for example, it can link together not only PCs, but other Unix systems and a wide range of graphics workstations, dumb terminals and newer X-Terminals. These are a new breed of 'intelligent' terminals which can provide a user interface running to the widely-accepted X-Windows interface standard, already popular with most Unix providers in one form or another.

In addition, the same computer can also be running a more traditional multi-user application on the same terminals and workstations. This offers a much wider flexibility to the user in the development of their network infrastructure.

Networking and multi-user applications can be mixed in the same environment, and with the growing use of software technologies such as Structured Query Language (SQL) processing tasks can be shared more readily around the processors linked to the network, with the most appropriate systems targeted for specific work.

Perhaps the most important advantage of Unix is its tolerance of other industry standards, as well as being a focus for new standards itself. In the former category, for example, there are a number of options available for linking PCs and Unix systems together, allowing PC users to add Unix to their existing environments, and vice versa.

In the latter, many of the standards concerning communication between systems, such as the TCP/IP protocols, have become integral parts of the system. It is this tolerance and flexibility which will make Unix a major factor in future business information systems, rather than any intrinsic technical wizardry in the system itself.



The bulk of funding has gone to three programmes which should give hospitals the more sophisticated information they will need

Timescales and funding are tight, writes **Emma Haughton**

# NHS reforms hinge on IT

FEW GOVERNMENT White Papers have caused such dissention as last year's "Working for Patients" health review, with its emphasis on greater patient choice and internal competition within the National Health Service (NHS).

This involves instigating probably the most radical reforms seen in the NHS for the last forty years. These will hinge largely on the successful implementation of major computer systems.

From next April, the NHS will move away from its old system of financing, where district and regional health authorities arrange health care in their areas according to a fixed annual budget.

Hospitals will be able to choose whether to become NHS trusts or remain under district management, and their income will depend on attracting health contracts from the health districts.

Family doctors (GPs) will be able to manage their own budgets and choose which hospitals they send their patients to, helping to establish an internal market in the NHS.

In practice, the UK's 2,000 hospitals, 200 districts, 14 regions and 100 family practitioner committees have just a few months to set up this internal contracting, the basis of the new competitive health service.

Establishing the information systems to support this is a massive and complex task. Timescales are tight, and many authorities are complaining that they are on the verge of bankruptcy.

The Department of Health, much criticised for its handling of NHS computerisation, has at least recognised the enormity of the task.

"For some the deadlines will look impossible, and no-one will have a comfortable time", says Mr Ray Rogers, deputy director of information systems at the department. "Our job is to identify those who are limping."

The government and the NHS are relying heavily on established systems to provide the bulk of the processing power needed to set up an internal *market. But most of* these systems merely collect basic data on hospital activity, as laid down by the Korner committee in 1984. Many still fail to provide these statistics quickly and accurately.

The Department of Health has identified complex new data flows that will be created by NHS contracting. These go far beyond the relatively simple Korner information demands.

A hospital will need to run itself like a business, pricing its services, setting up contracts with districts, monitoring the health needs of its population, invoicing and providing accurate financial accounts.

Initially, contracts with districts will be in "blocks", aggregate estimates of the hospital's services and their costs. By 1993, however, districts and GPs will begin to change their *existing referral patterns, and* hospitals will need sophisticated computer systems to cope with individual costing and pricing for each patient.

The bulk of government funding for NHS computing has gone to three programmes, which should give the hospitals the more sophisticated information they will need.

The £260m Resource Management Initiative will provide 260 major general hospitals with the systems they require to cost treatment and monitor resources for hospital budgets, which often exceed £50m a year.

To date 135 hospitals have joined the programme. The six pilots are fully established, and 20 more are now engaged in full systems procurement.

The Hospital Information Support Systems (Hiss) project is under way at 12 sites and intended to complement resource management. Its brief is to install totally integrated information systems in 280 hospitals to make all aspects of their activity more efficient.

Hiss is likely to be very expensive, with many potential *suppliers putting the cost of* computerising one general hospital at between £5m and £10m.

Medical audit received £31m in government funding last year. Consultants in individual departments are being encouraged to use personal computers to assess their effectiveness in treating patients and allocating their resources.

All three programmes have come under heavy criticism from the health service and its computer suppliers, both *complaining* about funding levels and the timescales under which computers are expected to be implemented.

But even for those hospitals fortunate enough to receive *funding under the three initiatives*, the money will do little to alleviate the burden of preparing for next April's internal market.

A consultation report published earlier this year high*lighted areas of particular con*cern in hospital information systems.

These include the need to modify financial and patient administration systems to assign patients to particular contracts, hospitals current difficulty in quickly and accurately allocating codes to patient treatments and registering postcodes, and the lack of basic computer systems for outpatient clinics and accident and emergency departments.

The problems are not confined to the hospitals. Districts will need large District Information Support Systems (Diss), costing around £500,000 each, to enable them to monitor the health needs of their local population, and set up appropriate contracts with local hospitals.

But Diss systems are still in their relative infancy. At present there is a pilot system underway in Macclesfield and two districts appointed as demonstrators.

The regions will retain their function as key strategic planners, but will be expected to watch over the provision of health care in their districts *and take on new responsibility* for the Family Practitioner Committees (FPCs).

Most have only just completed regional information strategies to cover their own computing needs and those of their districts and hospitals.

The FPCs themselves, which have responsibility for the GPs within their boundaries, will need to focus their computing resources on monitoring the doctors' referral patterns, and *determining* budget levels for those surgeries which elect to become GP fund holders.

According to the government, all 98 FPCs are now computerised with national systems for patient registration *and payment to contractors.*

But three months after the arrival of the new GP contract in April, software errors meant that one third of GPs were out of pocket on FPC payments, with some forced to take out *bank loans to pay their staff.*

GPs themselves have been encouraged by the government to computerise, with an allocation of £24m this year to cover their costs. They will have to manage their own prescribing budgets and account for their activities to the FPCs.

Fund holders will have to handle actual budgets, making thier own contracts with hospitals and paying for out-patient referrals and other treatments and operations. They will also need to produce monthly and annual financial statements.

The government, at least, is showing a welcome realism. "We are months from the beginning of a new world", says junior health minister, Stephen Dorrell.

"Even if every computer system were in place, there would still be a substantial management task to make sure they were producing the right information. The work load associated with that is considerable."

Software has not kept up with hardware, writes **George Black**

# Promises yet to be fulfilled

SOFTWARE HAS failed to keep pace with hardware over the past 25 years and is still failing to do so.

Despite promises of new techniques which would enable the vast power of cheap processors to be harnessed for the mass production of urgently-needed applications, the backlog of systems waiting to be written gets longer.

New systems continue to come in late and over budget and often turn out not to be what was really wanted.

Why is this? Are the new methods no better than the old, or are they *being misapplied?*

Fourth generation languages (4GLs) and more recently computer-aided software engineering (CASE) tools have been marketed as the solution to the data processing manager's problem of *fielding* an army of COBOL programmers and systems analysts.

The distinction between 4GLs and CASE tools has become blurred, as the former, aimed originally at faster code generation, evolve into the latter, which are intended to cover a wider span of the software lifecycle, from analysis to documentation and maintenance. In a still more comprehensive form CASE tools are sometimes known as an IPSE – an integrated project support environment.

While such new methods may help the data processing department to dig its holes more quickly and even the right shape, they do not ensure that the holes are in the right place. Many turn out not to be. It is methodologies, rather than 4GLs or CASE tools, which are supposed to ensure that *holes are dug in the right* places.

Users who have responded to the heavy marketing of CASE tools and bought them in the hope of a quick remedy but without giving due attention to the question of methodology have been disappointed.

So what is the difficulty with methodologies?

Mr Henry Trull, of software market research company Input, believes *that* they have been hijacked by technical people, whereas they are properly the province of business managers.

"*Building a system* is a complex undertaking, but it is also a common sort of problem and needs a standard business approach," he argues.

The methodology adopted by government, called SSADM, is *too rigid and does not relate* adequately to the real world, according to Mr Trull.

If applied in the context of an appropriate methodology, 4GLs and CASE tools can provide an *opportunity* to involve users more in the production of systems and thus ensure they get what they want.

Prototyping is a technique which may achieve this. By getting users to verify the design at the start, it should be possible to ensure not only that the system works and does what is required, but also can be modified and maintained without enormous effort and cost.

**The distinction between fourth generation languages and CASE tools has become blurred**

There is little statistical evidence of 4GLs significantly outperforming COBOL; and the third generation language RPG *still fares* better than most 4GLs.

CASE tools have so far had a negative impact on the system development phase, but Butler Cox cautions that this needs to be looked at again in a year or *two to see if the slower devel*opment is outweighed by an improvement over the whole lifecycle.

This is crucial because maintenance accounts for around 70 per cent of the work and development for only 30 per cent.

The message is evidently that those looking at CASE tools need to realise they are investing for the long term.

Butler Cox's survey also indicates that techniques such as structured analysis and design, data analysis and data dictionaries *contribute little, if* anything, to higher productivity. The only encouraging signs are the results of using programmer workbenches and screen painters.

**Part of the problem may be the resistance of *data processing managers* to allow users more control**

Part of the problem may be the resistance of the traditional *data processing manager* to allow users more control over systems development. Some commentators argue that data processing managers feel their existence threatened by the spread of end-user computing, and are therefore fighting a rearguard action.

Research by the Butler Cox consultancy *among its mainly* user organisation members supports some of Input's views.

4GLs have brought some improvement but considerably less than the suppliers claim for them, says Butler Cox.

Mr Ian Simpson, a senior manager at software house Hoskyns, also identifies methodology as the area where systems development is weakest.

"The *fault* is not with the tools – the tools work", he says. "Success depends on having a management-led methodology. People bought 4GLs as a panacea but did not look at how they could fit in to the business."

He also doubts whether the government-backed SSADM is the right sort of methodology, though he concedes it has played an important role in promoting a more mature approach.

But the news is not all bad, he insists. "There are happy users. The trouble is there are not enough of them and there are too many who are using the techniques wrongly."

*IBM's announcement last* year of AD/Cycle, the part of its blueprint for software which encompasses 4GLs, CASE tools and the like, galvanised small suppliers into greater efforts to develop software to improve productivity.

The small UK software house Synon shot to fame when IBM made it one of only five AD/Cycle business partners and then took a minority stake in the company. The Synon/2 language runs on IBM's AS/400 mid-range machine, and is said to speed up development and produce clean, easily maintained code.

Most importantly, it shifts the effort to the early part, the business-oriented part of the process.

Whereas 3GLs spend 30 per cent of the time on design, 50 per cent on programming and 20 per cent on testing, Synon/2 puts 50 per cent on design, 40 per cent on programming and 10 per cent on testing.

The most serious obstacle to a switch from the still predominant 3GLs to newer techniques is the UK's dismally low level of investment in training. Sadly, investment in training is sure to be one of the first casualties of the recession.

The latest buzzword in the programming world is object-oriented systems, an innovation which may also contribute eventually to cracking the problem of the backlog.

The advantages are said to be that it can handle various types of data, including images, can retrieve complex objects as a whole, and can develop new systems very fast.

User organisations are starting to take object orientation seriously and may soon start lobbying vendors to produce industry standards.

**Andrew Lawrence** on workgroup computing

# Client-server systems bring the team workers together

BUSINESS AND office computer systems have traditionally struggled to support team or group efforts. Unless projects are clearly defined and geographically limited, computer support for the office-based team worker is a problem.

According to Mr Roger Whitehead, *director of the con*sultancy Office Futures, the office and business computing models developed by the major computer manufacturers have been based on what equipment they can supply, rather than *what businesses really need.*

Mainframe, minicomputer and personal computers have therefore been mapped onto a business model consisting of three tiers; corporate activities (mainframe), departmental activities (minicomputer or local area network) and personal computing.

"Its all very neat, but unfortunately it doesn't really work like that in practice. Workgroups can be temporary in nature, loosely defined and geographically spread. What we need is a closer imitation of what really goes on", says Mr Whitehead.

Mainframes, minicomputers and personal computers all have their strengths and weaknesses. Personal computers support creative and powerful software, but they are individual and often isolated machines. Departmental office computers or small local area network *enable personal com*puters to share data and applications, but they are geographically limited and often inflexible in their design. Corporate computers can give shared access to structured *data and programs*, but applications are usually simple and remote.

The development of advanced networking and document management software is beginning to change all this, *spawning a new concept*: workgroup computing.

The major suppliers, led by companies such as Hewlett Packard, Apple, DEC, Rank Xerox and IBM are trying to develop computing architectures to *enable* the best of mainframe, minicomputer and personal computing resources to be tied invisibly together in a way that supports both ad-hoc and structured individual and group working. According to this view, says Mr Whitehead, "the 1970s was the decade of the corporation, the 1980s of the individual, and the 1990s of the team".

*All of these companies, along* with the other major system vendors, are evolving away from the traditional PC-mini-mainframe architecture and developing computing systems based around the "client-server" model. This means that any "client" or desktop workstation can access data held on any host, or "server" on the network.

Workgroup computing is based on the client-server model, but it means more than just accessing remote data as if it was stored locally. Using the networking, management and document distribution systems, workgroup software should make it possible for an employee to tap into the computing facilities from anywhere on the network and gain access to both programs and data.

Moreover, it should be possible *for several individuals* at many locations to share, distribute and access the same complex applications and documents.

An example of workgroup computing is given by Mr John Whiteley, *marketing manager* for Network Application Support at Digital Equipment (UK). He cites an example where a new product under development at DEC might require the co-operation of *integrated circuit design engi*neers in Israel, corporate managers in the USA, networking staff in the UK and manufacturing staff in France. Timetables might be tight, and there may be no formal working relationships set down. With time zones a problem, and travel expensive and time-consuming, "the only way they can come together is *using IT", he says.*

**Workgroup software should allow employees to tap into the computing *facilities from anywhere on the network***

The traditional office system for dealing with this type of problem is electronic mail. But most electronic mail systems are designed for distributing *character-based messages to a* list of mailboxes.

Workgroup computing goes beyond this, providing a framework for shared access to detailed and ever-changing multimedia documents (text, data, graphics, images, voice). Moreover, the software should provide some means of monitoring access and changes to documents.

**It should be possible for several individuals to share, distribute and access the same complex applications**

Rank Xerox, which developed the graphical user interface and pioneered local area networking, has designed a computing methodology based on documents rather than on data. According to Mr David Jones, marketing manager for Rank Xerox, 90 per cent of the information used in business is not held in corporate databases, but in unstructured documents. Rank Xerox's workgroup computing systems concentrate on giving both *individuals and groups imme*diate access to documents, whose movements and changes are monitored and controlled.

Some group working systems, such as FCMC's Staffware, also incorporate a project *management* or "workflow" element for situations where group working is very highly structured. This can record the flow of documents and jobs through a project, prompting individuals to take certain actions by certain dates and ensuring that targets are met. So far, such software is used for structured work, usually within departments using local *area networks, rather than for* managing ad-hoc corporate wide projects.

Most of the suppliers agree that workgroup computing is still very much in its infancy. According to Mr David Lyon, *marketing manager for Hew*lett Packard (UK), the best examples of workgroup computing can be seen in engineering, where geographically dispersed design and manufacturing engineers need *to work concurrently* on the same projects.

Engineering data management (EDM) uses workgroup principles. The software ensures that everyone is dealing with the same designs, the same part numbers, and that any changes to any design are recorded and authorised before being distributed.

But although there are now more than a dozen software houses offering EDM, the complexity of the software and of the management issues involved has so far prevented widespread take-up of the technology. The mainstream market for workgroup office software may be several years further behind.

One problem facing suppliers is standards. Workgroup computing, because of its mainly ad-hoc nature, should allow for different vendor's computers to be linked together to support applications across newly formed teams of workers. In some cases, they may not even all work for the same company. "The key to this is standards. At the moment we haven't even standardised *some of the old fashioned* ways of working, so standardising the new ways is some way off", says Mr Lyon of Hewlett Packard. Because of this, most examples of workgroup computing over the next few years will be *limited to small stable* groups or simple applications.

**Della Bradshaw looks at trends in office technology**

# Focus shifts to documentation

IN THE LATE 1970s and early 1980s every computer manufacturer sold an office system. It was a machine which promised to banish paper from the office, a run-of-the-mill computer, packaged with word processing and spreadsheet software and electronic mail.

But the failure of this type of computer system to even dint the mountains of paperwork produced by many offices, together with advances in technology, has persuaded computer manufacturers to bury the concept of the paperless office.

Instead, they have conceded that business documentation is central to the successful running of a company and are now concentrating on making the document the focus of office technology. Computer technology, they say, should help manufacturers produce and manipulate that documentation.

The result is technology to help office employees work in the way they want to work: not in a way imposed by the computer, says Mr Tony Holden, European general manager of Rank Xerox. "Most companies have excellent data processing", says Mr Holden. "But they have not invested in the infrastructure to handle documents."

Data processing, he argues, handles data structured to a particular format, whereas documents can be anything from a hand-written memo, to a instructional booklet — complete with diagrams — or an internal audit. And he adds that 90 per cent of all information technology investment has been in equipment to manipulate structured data, while 90 per cent of information held within companies is unstructured, held in a wide variety of formats.

The decision to focus on the document as the heart of information technology systems has been helped by several advances in technology.

The first is in digital imaging and scanning systems, which enable companies to take exact images of a document — rather than just the data held in the document — and store those images electronically. These systems have been pioneered by Kodak and Rank Xerox, among others.

Hand in hand with that is the introduction, and subsequent proliferation, of optical discs as a medium for storing digital information. Because of the huge volumes of disc space needed to store documents, the more traditional floppy or hard discs were largely inadequate to cope with the information.

An evolutionary development has been the increasing processing power of the desktop PC or workstation and, in addition, the communications links between the host computer and the desk-top terminals in the network. Both are needed to handle documents, rather than data, speedily.

Companies who have taken an early interest in this type of document imaging and retrieval system are those which produce documentation by the vanload. They include the aircraft manufacturers, with their reams of technical documentation and diagrams, and pharmaceutical manufacturers — for every drug which is registered there is up to 16 tons of accompanying paperwork.

The technology is not just used for inputting and storing the documentation, but for combining and altering the information as required. With airline companies, for example, the technical data produced by all the different components manufacturers can be merged and edited to produce the final maintenance manual.

Manufacturers are confident that the technology will also become widespread in general office applications, for manipulating and merging text and diagrams to produce documents.

The development of office systems of this kind is being driven by further technological developments. In particular the emergence of digital technologies has meant that the boundary between different pieces of office equipment, each with its own particular niche, has become blurred.

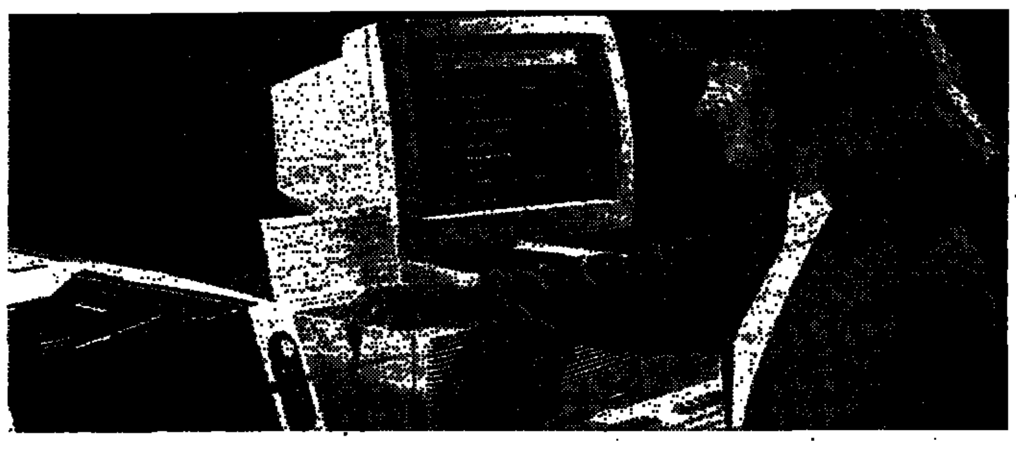
Digital photocopiers, which swap the complicated analogue lens system for a digital scanner, will blur the distinction between the photocopier, facsimile machine and computer printer. Rank Xerox, for example, has a digital photocopier which is also a plain paper fax machine and the company is planning to incorporate a printer in this type of unit as well. Eventually a personal fax machine, copier, scanner and printer, all in one compact desktop unit, could be the fashionable complement to the desktop PC.

This means that a paper document could be scanned so that it would appear — complete with signature, heading and so on — on the computer screen. Data within the document could then be altered and the new document sent by fax to anywhere in the world, or it printed out on paper. Being digital, the equipment could be connected to a computer local area network, so that the data could be sent to other PC users on the network.

The introduction of such hybrid machines will mean the smaller business will be able to take advantage of the most up-to-date office technology.

Another piece of technological wizardy beginning to take the office technology market by storm is multimedia. This involves mixing audio, video, graphics, text and numbers on a computer screen.

Worldwide sales of multimedia products and services are already worth $6.4bn this year, according to a market forecast by the Information Workstation Group of Alexandria, Virginia, By 1994 sales should reach $24.1bn.



AEG Olympia's Polyform Workstation automates the entry of data on forms into computer storage. An opto-electronic device, which can read hand printing, scans the forms into a PC.

**PORTABLE COMPUTERS**

# Laptop variety keeps Heinz on the move

HEINZ, the food supplier renowned for its 57 varieties, actually sells more than 300 lines of products in the UK. With so many product lines and about 150 customers, keeping track of past sales and maintaining up to date forecasts can be tricky.

Many of the Heinz sales managers who maintain these forecasts work from home, providing an example of what social scientists have been predicting for years, but have found difficult to observe: teleworking.

Teleworking is based on the idea that a technological revolution — comprising the personal computer, modem and fax — has taken place; a revolution that should allow workers to work from home rather than the office.

Those Heinz sales managers working from home have been equipped with portable computers supplied by Toshiba. The managers have a range of machines, including battery-powered machines such as the T1100 and T1200s and mains portables such as the T3100 and T3200.

Although the Heinz management hoped its sales managers would use their laptops on the road, few actually do so, according to Mr Derek Turner, PC support manager at Heinz's sales and marketing division.

He explains that the managers found that the computers were too heavy, the battery life of the machines was limited and customers found the idea of their suppliers dragging out a PC rather "posey".

Users say that laptops offer considerable advantages, but battery life can be a problem

However, according to Mr Turner, the most important problem was battery life. He says that although the older generation T1100 computers have batteries which can last about eight hours, the more recent T1200s, which admittedly have far better back-lit screens, last perhaps two hours at most.

"The batteries always seem to fail at the critical moment when you haven't saved the spreadsheet you're working on. What's more, the spare replacement cells seem exorbitantly expensive," says Mr Turner.

Most of Heinz's sales managers use their laptops as desktop replacements plugged permanently into the mains, rather than as portables, says Mr Turner.

"In retrospect, it seems a bit odd the way that the sales managers use the portables," admits Mr Turner. "Nevertheless using them does offer some considerable advantages."

Mr Turner explains that although a number of the sales managers have dedicated spare bedrooms in their houses which they use as offices, many work on their dining tables. He says that most prefer to pack away the machine when they have finished rather than leaving the machine out.

**Few Heinz sales managers actually use their laptops on the road**

Mr Norman Sanderson, one of the company's national account managers based in Harrogate, Yorkshire, is adamant that the size of portables is their main advantage when compared with a desktop.

"Quite frankly, I wanted something that wasn't too ugly", explains Mr Sanderson. "Having a full-blown machine in my second lounge would have been gross."

Mr Sanderson uses his T3100 to access financial information via a MMP5 modem to the company's mainframe computer at Hayes Park in Middlesex. The modem, which is separate from the Toshibas, has a built-in error correcting protocol. This is significant, explains Mr Turner, because the integrity of the information being transmitted is vital. The managers must be confident that the data they send and receive is accurate.

Mr Sanderson only spends about 10 to 15 minutes a day uploading and downloading information. Once the information is in the hard disk, he then analyses it using Lotus 123. The data are then transmitted into a Harvard Graphics package and printed out on an NEC Deskjet Plus printer.

He can also access an electronic mail system which contains both broadcast and personal messages. Mr Sanderson explains that the E-mail system is invaluable by allowing him to check that nothing worthy of his attention has occurred while he has been away from home.

Mr Sanderson, who is 51, reckons that working from home has increased his productivity immensely. He says that previously he had to drive more than 130 miles a day to Manchester and back. "Driving that far two or three times a day was a waste of the company's time and money," says Mr Sanderson.

He can now start work much earlier and continue later, adding that previously he was unable to access the computer after 5.30. Now he can download data and analyse them at home as late as he needs.

"Working at home on computers can present problems," he admits. "It's a question of the individual's attitudes. I love the technology and have the self-discipline to work at it properly. The main problem is not to go overboard refining the data and presentation as much as possible."

As far as the PC support department is concerned, one final important advantage of the portables is that they are easier to maintain than desktop machines.

If anything goes wrong, or software requires upgrading and installation packages, it is far easier for the manager to drop the machine off at the data processing department while he is travelling than a member of the computer staff visit the manager's home.

**Paul Abrahams**

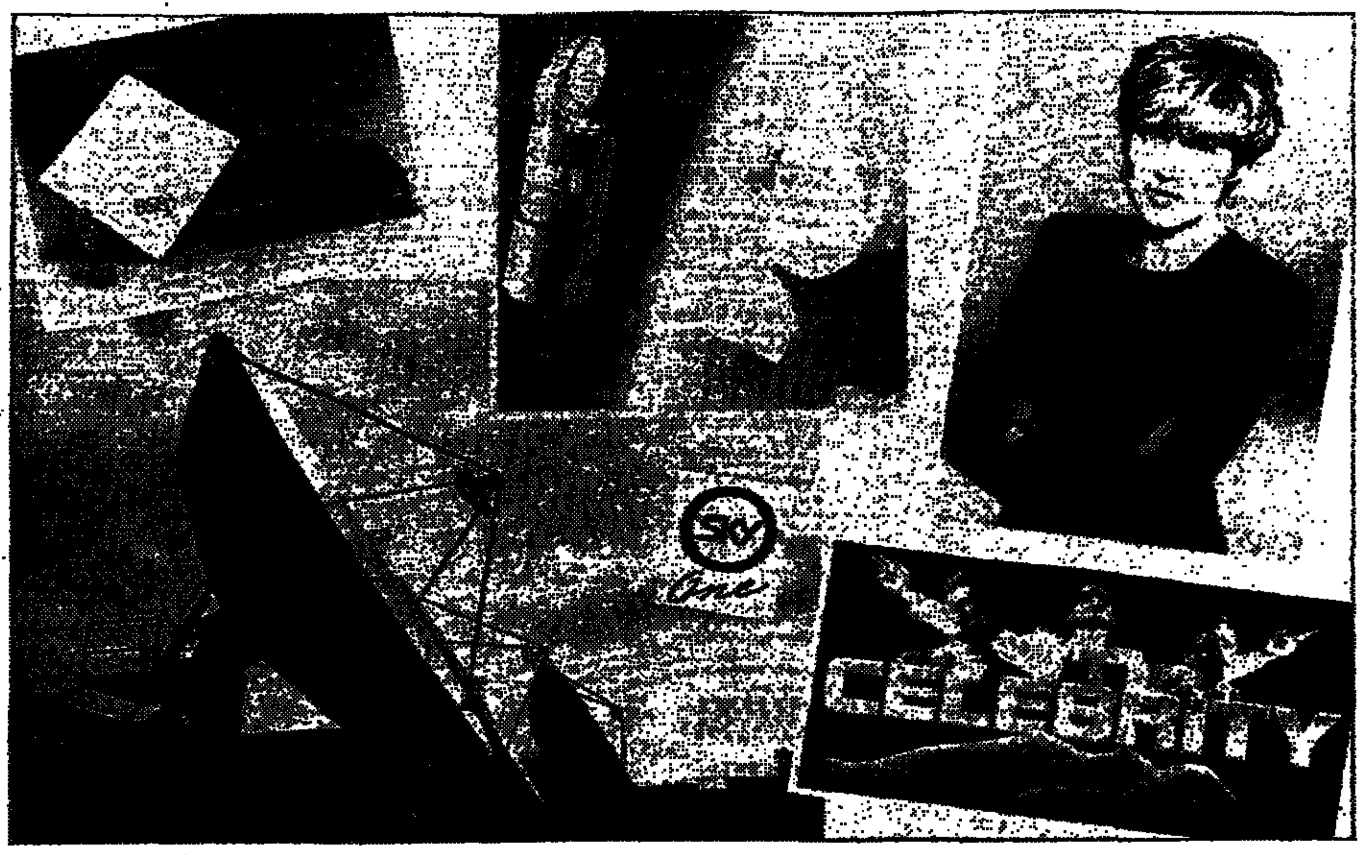
FINANCIAL TIMES SURVEY

# THE NEW FACE OF BRITISH BROADCASTING

SECTION III Tuesday October 16 1990

Britain's four-channel television system is being shaken up by government legislation and technology. **Raymond Snoddy** looks at the prospects for newcomers and old hands as radio and TV enter a new era of expansion and heightened competition

## Turmoil in the air



With new equipment and familiar faces from the old-established channels, Sky and BSB are battling for supremacy in satellite TV

UK BROADCASTING is going through an unprecedented period of turmoil as both technology and government legislation combine to rewrite the rules of the game and change Britain's four-channel system of television forever.

The Broadcasting Bill, the end of a nearly five-year debate which is now completing its progress through Parliament ready for Royal Assent early next month, will mean everything from competitive tenders for commercial broadcasting licences, competition for advertising revenue between the Channel 3 companies (the present ITV) and Channel 4, a new fifth channel and the opening up of 25 per cent of most programmes, apart from news and news-related current affairs, to the independent production sector.

At the same time British Satellite Broadcasting, the five-channel satellite company, is finally squaring up to Mr Rupert Murdoch's Sky Television in a battle involving the deployment of hundreds of millions of pounds.

Already more than 1m homes in the UK, from Land's End in the south to the Orkney Islands to the north of Scotland, have satellite receivers and the total is expected to rise to 1.6m by Christmas as both sides in the battle promote their services heavily.

Earlier this month BSB, a consortium in which Pearson, publishers of the Financial Times has a significant stake, said its 100,000th Squarial had been been installed, bringing the total number of homes receiving at least some of its channels through either communal systems in blocks of flats or cable networks to around 700,000.

Sky Television's end of September total figure for both the UK and Ireland is 1.6m, including 982,000 dishes.

If anything, the satellite battle should get more intense next year as SES, the Luxembourg company which launched the 16-channel Astra satellite, plans to launch a second satellite expected to add a further three English language channels to the eight already available on Astra One.

The rise in prospects for satellite has been paralleled by renewed interest in cable television, mainly from North American cable operators and telephone companies, at least as far as applying for and winning franchises all over the UK are concerned.

Cable could become a significant player in the British broadcasting industry – it has the ability to pull in all the available TV channels and deliver them to the home without the need for satellite dishes – if that interest is followed through and translated into the large-scale construction of cable networks.

**By Christmas, some 1.6m UK homes are likely to have satellite receivers**

Almost off-stage, but a serious contender for the time and money of the consumer, is the video industry which over the past decade has grown, often unheralded, into a £2bn a year industry when hardware as well as software is included.

As well as TV, up to three independent national radio stations are set to take to the air, while no fewer than 200 to 300 local stations will be licensed at a rate of some 30 a year from 1991.

It is impossible to predict exactly what the outcome of all this competition will be – how quickly cable television will spread, how much satellite television companies will lose before they start making any profit or even when Channel 5 will come on the air.

The only safe prediction in a fast-moving scene is that multi-channel television, however the pictures are delivered to the home, will continue to grow in the UK market during the 1990s with an increasing and inevitable effect on the market share of the traditional broadcasters.

And although language will continue to be a barrier to the integration of the European broadcasting industry, there are increasing signs of international links being forged between programme producers.

W.H. Smith, the retailer which has also been in satellite television production almost from the beginning, provides an example of how strategic alliances can be created and programmes produced which can cross the language barriers.

Mr Francis Baron, head of WHSTV, has created a network of interlocking sports channels in the UK, France, Germany and the Netherlands, each broadcast in the local language and involving a range of local partners.

Over the structure is a holding company, the European Sports Network, in which WHSTV holds 75 per cent with the rest owned by ESPN, the US cable television sports network.

Recently Canal Plus, the successful pay television company, bought into three of the national affiliate companies, taking an option to invest in the network and explore the possibility of creating a Spanish affiliate.

Even those channels which are either wholly in English, such as MTV (Europe), the pop and rock channel, or partially in a range of languages such as Super Channel, have been increasing their penetration of the European television market.

**The risk of incumbents losing is probably greater than in any past franchise round**

Satellites as providers of mass entertainment have tended to dominate the headlines but the technology has opened up a wide range of niche uses – everything from delivering specialist services to scattered ethnic minorities to developing business television.

The uses range from a special television service for the Japanese in western Europe to a small British company, Data Broadcast Services, using satellite to deliver experimental newspapers by fax.

British Aerospace is linking BMW dealers in the UK in a weekly satellite programme and has begun broadcasting a special rugby league service to pubs in the north of England.

BSB, through its data subsidiary, has been running a regular computer channel for the industry and also providing a private television service linking all the branches of retailers such as Comet.

Most eyes in the broadcasting industry, however, are closer to earth, trying to work out how the government's new legislative framework, combined with the new competitive environment, will affect them.

The government has modified many of its extreme free market proposals and in particular made it clear in the bill that the Independent Television Commission will have the discretion to decide that a bid offering exceptional quality in the competitive tenders can win over the highest cash bid. The government also removed a great deal of uncertainty by deciding that cash bids should be just for the first year of the 10-year franchise and that the fee to be paid for subsequent years would be increased in line with the retail price index.

The provisions on quality have been greatly strengthened and a considerable degree of continuity provided for the audience. Yet the new franchises to be announced towards the end of next year will still to a very large extent be decided by bids and the risk of incumbents losing is probably greater than in any past franchise round. For the winners there is the danger, for the first time, of being taken over in mid-franchise, from the beginning of 1994. Perhaps the most dramatic change of all is the move towards independent production which will represent a very substantial transfer of resources and jobs from the main established broadcasters – probably more than £300m a year by 1993.

The BBC, which the government has decreed shall continue to be the "cornerstone" of British broadcasting, appears to be immune from all the changes.

Yet, apart from the threat of increasing competition for the audience, the government has just decided to turn the financial screw yet again on the corporation.

For the past three years the BBC has faced a financial squeeze caused by the linking of its licence fee to the RPI, an index that does not reflect labour costs – approximately 70 per cent of the total.

Now the government has decided that in the run-up to what will obviously be a fundamental review of its role during the renegotiation of its royal charter in 1996, the BBC should have to make do with a sum less than the RPI.

In the new world of British broadcasting, it seems there is no protection even for cornerstones.

### IN THIS SURVEY



*Editorial production*
*Gabriel Bowman*

Outcome of "the biggest TV shake-up for 30 years"

# Deregulation: a typically British compromise

WHEN Mr Douglas Hurd, then home secretary, unveiled his proposals for the deregulation of British commercial broadcasting in November 1988, they were rightly described by headline writers as "the biggest TV shake-up for 30 years".

The green paper seemed to herald the end of an era, at least for the commercial side of British broadcasting – an era in which the ITV system had seen itself as being firmly part of the British public service broadcasting tradition, making quality programmes and money.

Under the government's proposals, ITV franchises would be sold to the highest bidder and although there was a quality "threshold" to be passed, it seemed a flimsy, barely-defined barrier.

Even if an ITV company managed to retain its franchise in the competitive tenders, it could be taken over on the Stock Exchange at the very beginning of the new licences, which run for 10 years from January 1 1993. To make its desire for change even more evident, the government also announced that the BBC was to lose one of its channels after midnight and could keep the other only if it was used to try to earn subscription revenue.

Many of these ideas date back to 1986 and the report of the Peacock Committee on the financing of broadcasting. Yet the Broadcasting Bill that will go for Royal Assent early next month is a very different document.

**The break with the past will be much less than it had seemed**

Mr David Mellor, the home office minister responsible for broadcasting who became arts minister in the recent reshuffle, promised that he would listen and make changes where he was convinced of the arguments when the bill reached the committee stage in parliament. And that, with the help of an intense lobbying campaign, is what happened.


David Mellor, arts minister

Several critically important changes have been made, adding up to a typically British compromise. Market forces are being given a greater say and broadcasters will undoubtedly be exposed to increased competition, but the break with the past will be much less abrupt than it seemed. The quality hurdle has been turned into what Mr George Russell, chairman of the Independent Broadcasting Authority, has called a "Becher's Brook", after the most difficult fence in the Grand National horse race.

Perhaps the most symbolic change occurred when Mr Mellor was given permission by Mrs Margaret Thatcher, the prime minister, to spell out that a bid of exceptional quality could triumph over the highest financial bid – something he believed was implicit anyway.

Mr Mellor also accepted amendments stating that licence holders would be obliged to make religious and children's programmes, and provide a good quality news service and regional programmes.

However, the government plans to overturn contested amendments specifying that broadcasters will have to make educational, social and documentary programmes. The Independent Broadcasting Commission, the body that will replace the IBA, will instead be asked to look for "a general diversity" rather than having to impose a shopping list of specific programme types.

The ITC will not in future be able to block automatically the takeover of broadcasting companies on the open market, although the government has agreed a moratorium preventing takeovers until the end of 1994. This is to allow the system to settle down after the upheaval of the competitive tenders.

The ITC will also have to be satisfied that any predators are *fit to hold broadcasting* licences and that they will take on all the obligations agreed by the original licence holder.

Last month, the government took a further step to remove uncertainty from the competitive tendering process.

Critics had pointed out that cash bids over 10 years would be greatly determined by assumptions of inflation and that applicants might win simply because their estimates of inflation were the highest. Such a process could, in effect, lead to overbidding and a later failure to carry out programme promises.

The government has accepted these arguments. Bidders will now simply have to specify the sum they are prepared to pay for the first of the 10 years. The next nine years will then be adjusted according to the year-on-year increase in the Retail Price Index.

**A balance between change and continuity may have been struck**

The BBC has even managed to keep its second channel at night, after it was pointed out that it might be difficult to cover important events like general elections or the Olympics if one channel was "privatised" after midnight and the other devoted to specialist subscription service.

Among the many ideas in the widespread lobbying campaign to change the face of the bill, two were clearly influential.

One was from the Campaign for Quality Television, a pressure group partly financed by the ITV companies, which was successful in persuading the authorities to strengthen the quality provisions in the bill irrespective of which companies win the franchises.

Articulate "stars" such as Mr Rowan "Blackadder" Atkinson are believed to have been influential in persuading ministerial minds that quality was an issue to be taken seriously.

From the other side of the cameras, Mr Bruce Gyngell, chief executive of TV-am and probably Mrs Thatcher's favourite broadcasting executive, warned the prime minister at a personal meeting of the dangers of unfettered market forces.

Mr Gyngell, an Australian, pointed to the dangers of the Australian experience, where tycoons with little experience of either the traditions or costs of broadcasting had overpaid for television licences and then run into serious financial difficulties. Since Mr Gyngell's Downing Street warning, two of the three main Australian networks have gone into receivership.

Although there are still worries – particularly over such issues as the sale of 51 per cent of Independent Television News to outside shareholders and the adequacy of rules limiting cross-media ownership – most commercial broadcasters believe that a reasonable balance has been struck between change and continuity.

And although commercial television licences will now be awarded neither by the highest bids alone, nor the "beauty contest" of the past, the signs are that Mr Russell and the ITC have been given enough discretion to ensure that many of the best features of the ITV system should survive in a more competitive age.

**Raymond Snoddy**

RADIO

# Decade of expansion ahead

COMMERCIAL RADIO has begun a decade of headlong expansion. For its first 15 years it grew by an average of only three stations per year, reaching 46 in mid-1988. Since then the total has more than doubled and by the end of the century it could reach 400 stations.

The most significant step will be the advertising, around the turn of the year, of the first two of three independent national radio (INR) stations. Two of these will be on AM, the other on FM which better suits music broadcasting. One station will be devoted to spoken material, another to music that is not pop, and the third will presumably broadcast pop.

The shadow radio authority, which will take substance in January, is now considering 39 letters of intent from would-be INR operators, including several existing stations, ITN and other TV companies, publishers and individual enthusiasts.

A possible outcome is the licensing of classical music INR of broad appeal – "wall-to-wall Mozart" to its detractors – and a news and speech channel. TV-am, ITN and probably Crown Communications, owner of the London news station LBC, will bid for a news station licence. All three have present or past backgrounds of industrial troubles.

Allocation of licences will be decided, as with the future commercial TV, by a sealed bid auction. A bid can be overruled in exceptional circumstances which have wisely been left undefined by Lord Chalfont, chairman of the radio authority.

The authority will operate with a lighter touch than the IBA. It will no longer supervise the content of output, provided that stations keep to the possibly broadly drawn promises to perform in their licences. The number of minutes of advertising an hour will not be restricted.

Some 200 or 300 new local stations will be licensed around the UK at a rate of 30 a year from 1991. Applicants must propose formats which extend listener choice and the allocation of licences will depend on the radio authority's judgement rather than auction.

The licensing of 24 incremental or community stations in the last year or so has been a dry run for this. Ominously, up to 10 of the 21 so far opened have suffered financial or managerial problems.

Meanwhile the older stations, all but the newest of which have been on both AM and FM, have been launching services on one of their frequencies. By the end of the year more than two dozen new channels, generally broadcasting oldies pop on AM, will offer a commercial alternative covering much of the country.

As specialist stations offer more tightly defined target markets and total listening hours increase, the hope is that advertisers will pump in the money needed to finance the expanding system. Instead of radio's share of advertising at around 2 per cent, it will rise to the 7-10 per cent range of the US, Canada and Australia.

Mr Pat Falconer, managing director of Independent Radio Sales, largest of the houses that represent stations to national advertisers, says: "The only way we'll get the industry's share of total advertising up is by having more radio stations and more coverage of the country."

**"The only way we'll get advertising up is by having more radio stations"**

Most stations rely on local sales which are more stable then national advertising. But during two months this year - March and August – the volatility of national revenue has already upset the industry's hopes. Stoking industry optimism, however, are the latest audience research (JICRAR) figures. In April-June, 50 per cent of adults in areas served by independent radio tuned to it each week, as against 43 per cent in 1988.

INR should carry the figure higher. But Mr Brian West, director of the Association of Independent Radio Contractors, warns that those who launch it face a tough job and need deep pockets. "The BBC won't stand still and watch. They will be making such adjustments as they think necessary to their five networks to make life difficult for their competitors," he says.

The BBC has already rejigged its national services, putting Radio 2 on FM only, and using its previous AM frequency for the new Radio 5's mix of sport, education and worthy oddments. It claims 87 per cent of Radio 2 fans are tuning to it on FM.

It has also tied the output of its local stations – 37 on air and two in the pipeline – to a tighter mix of 60 per cent speech and 40 per cent music. The largest, GLR in London, could face extinction if its efforts to raise listenership over the last two years are judged to have failed. GMR in Manchester could be under similar threat.

If so, this could free four frequencies for commercial licensees. There would be many bidders, even though London now has 14 local stations. Independent radio has learned a lot about being commercial since the IBA began relaxing controls in the late 1980s.

Mergers and stake-building are now commonplace. A takeover battle – a rare event in radio history – has been under way as Trans World Communications, run by Mr Owen Oyston, and Metro Radio of Newcastle have fought to buy Yorkshire Radio Network.

To curb the growth of monopoly power, the government will establish a points system related to the size of audience served to determine the number of stations any person or company can control.

At the same time, ITN has launched a radio news service to compete with the long established Independent Radio News. Yorkshire TV has opened a radio sales house and the industry heavyweight, Capital Radio, in London, has won more customer stations for its sales house subsidiary. Capital itself faces a potential music competitor in the newly launched Kiss 100 FM. US and continental companies and non-radio investors in the UK, such as Mr Tim Waterstone, are sizing up opportunities in future stations or ancillary services such as market research. The radio market is sure to become much more competitive.

**Terence Kelly**

CHANNEL FIVE

# The air may be too harsh for survival

DO WE want it? Do we need it? Can we afford it? The answers, when it comes to Channel 5, are: possibly, possibly and probably not.

Such vagueness would be fine if the television station in question was an outline idea floated by a government minister in a musing response to a question at a broadcasting seminar. But Channel 5 is, in theory at least, far closer to reality. Its basic shape has been committed to official paper in the Broadcasting Bill and the government has said that it expects to see it on the air by 1993, or 1994 at the latest. But few in the industry would wager much money on that happening.

The atmosphere in which Channel 5 is being created is almost completely different from that which spawned the previous terrestrial expansion – Channel 4 – in 1982. C4 had a definite remit (to produce programmes of minority interest), a definite structure (a single national network) and a definite financial bedrock (the ITV companies, which fund the station's output in return for selling its advertising airtime). It was launched just as a massive consumer boom was about to get under way and demand for scarce television advertising time was growing.

Channel 5 has none of these advantages. No structure or remit has been laid down by the government, save that it will have nothing to do with the ITV/Channel 3 network, while the timing of its launch is unfortunate, to say the least.

Prospective franchise holders have only to look at the profits of the ITV companies and the share prices of the advertising companies to realise the scale of the slump that has beset consumer advertising; and they have only to watch the birth of new satellite stations to realise that this shrinking advertising cake is being divided up into evermore slices (one industry analyst has said that Channel 5 will be more like Channel 58 by the time it hits the air).

The figures quoted by consultants preparing C5 feasibility studies are large – up to £300m to get the station on the air. Much depends on the quality of the programming and what proportion would be made in-house, but there are fixed costs that cannot be avoided.

Because of a transmission wavelength famine, C5 will have to transmit on a frequency currently used by home video recorders. The franchise holder will have to pay all the retuning costs for every VCR home in the transmission area. This could cost £100m or more, on top of perhaps £40m or so needed to adapt the country's transmission network.

At the same time, advertising revenue will be limited by C5's initial availability to only 70 per cent of the population. The other 30 per cent – in parts of Cumbria, Lancashire, and the well-heeled audiences of the south coast, will be denied access to avoid interference with Irish and French frequencies. Even the lucky 70 per cent will have to pay £50 or so for a new aerial.

Despite these setbacks, some of the best brains in British broadcasting are thinking hard about what C5 might look like. It seems almost certain that the channel will be funded by advertising. Less definitely, but quite probably, it will be based outside London.

Indeed, if the plans for C5 have done anything, they have given a focal point for regional programme makers who feel that the four existing terrestrial channels are too metropolitan-based.

So it was that Sheffield hosted the first C5 conference earlier this year; and it has been from cities such as Edinburgh, Liverpool and Manchester that the C5 drum has been banged loudest. There have also been some elegant visions of what shape the channel's programming might take.

One envisages a network of city stations, perhaps 50 or more, that would transmit mostly local programmes with a core of national output common to all. Another, sketched by Mr Michael Braham of Broadcast Communications, proposes a Knowledge Channel, combining formal programming for schools and colleges with more general interest documentary, science and arts programmes.

Other ideas will doubtless emerge and the debate on C5's shape and form will be as well-informed as that which helped make Channel 4 such an innovative addition to the broadcasting scene.

But in financial and competitive terms, the climate in the television industry has changed radically from a decade ago. It may be too harsh for Channel 5 to survive.

**Richard Lander**

INDEPENDENT PRODUCERS

# The bonanza that might never happen

IN THEORY, the 1990s should be the decade of the independent producer. Building on the 1980s bedrock of Channel 4, the archetypal publisher-broadcaster, producing none of its programmes in-house, come new layers of commissioning sources, all with hundreds of hours of airtime to be filled from outside.

The BBC and ITV will also be obliged by law to take 25 per cent of their programming, other than news, from independents by the start of 1993.

In the cases of some ITV/Channel 3 franchises which choose to make few or even none of their own programmes, the proportion may be even higher; Channel 5, which will almost certainly make none of its programmes, should be on the air by 1994; and the Sky and BSB satellite services are already transmitting independently-made programmes.

It sounds wonderful in theory – an industry worth hundreds of millions (Channel 4 paid £104.3m last year for independently made programmes; the BBC quota could be worth £150m a year), generating thousands of creative jobs to hundreds of small companies.

The reality is less glamorous. Making programmes outside the protective womb of the BBC or ITV can be a precarious business. Every day, hundreds of producers spend hours drafting programme ideas with which to bombard commissioning editors at the various channels. Few get made and even fewer – game shows or cult soap operas, perhaps – last for more than one season; at which point the producer goes back to the drawing board.

Nor are the economics of the independent life too lucrative. On top of an agreed budget, covering artists' fees to the office paper clips, producers will get a production fee of 10-12½ per cent of their budget – a decent, solid return, but not one that would entice outside investors to put money into an independent production.

At the heart of this is the broadcasters' insistence that they retain all rights to the programmes they buy in, allowing them to resell the product and keep the proceeds – a situation that producers want the Office of Fair Trading to take action on.

"We want to share the exploitation of copyright with the broadcasters", says Mr Paul Styles, director of the Independent Programme Producers' Association. "Producers instigate an intellectual copyright freehold. It's fine to lease this freehold but not have it taken away. This will make our members more attractive to outside financiers." That attractiveness, Mr Styles believes, will grow as multi-channel households become the norm and resale potential grows for factual and entertainment programmes.

Nor are independents totally convinced that the new sources of commissions will be the bonanza that some have imagined. The satellite networks, particularly Sky, simply do not have the budgets to rival the terrestrial broadcasters; Channel 5 may not happen; and many independents feel the BBC and ITV use their monopolistic weight to get their pound of flesh when they deal with the outside world.

Ms Verity Lambert, a programme maker, called at the Edinburgh TV festival for "an external system of evaluating a fair price for programming from the independent sector". She accused some ITV companies of squeezing independent budgets by up to 50 per cent compared to what would have been paid had the programme been made in-house. Programme makers, desperate for the work and the exposure, have little bargaining power.

There are also doubts that the BBC is preparing adequately for its government-imposed commitment to the independents. Mr Styles of the IPPA claims it has been let off the hook by the government with the news programme exclusion, which he says effectively reduces the quota from 25 to 15 per cent.

Programme makers complain of obstruction and frustration when they approach the corporation with ideas – despite the BBC's recent pledge that it will meet its 1993 quota deadline. "The (BBC's) independent planning unit is a joke," says Mr Bernard Clark, head of Clark Production. "There are too few staff; they are badly paid, don't understand the business world outside and are not encouraged inside. As a result, in a year, when the BBC has to begin commissioning one programme in four from outside, it will be absolute chaos."

Forecasting the state of the independent market in, say, five years' time, when the rump of the broadcasting revolution will have taken place, is almost impossible. Much will depend on the shape of the new Channel 3 franchises and how strictly the government and the OFT make the BBC comply with their new commissioning obligations.

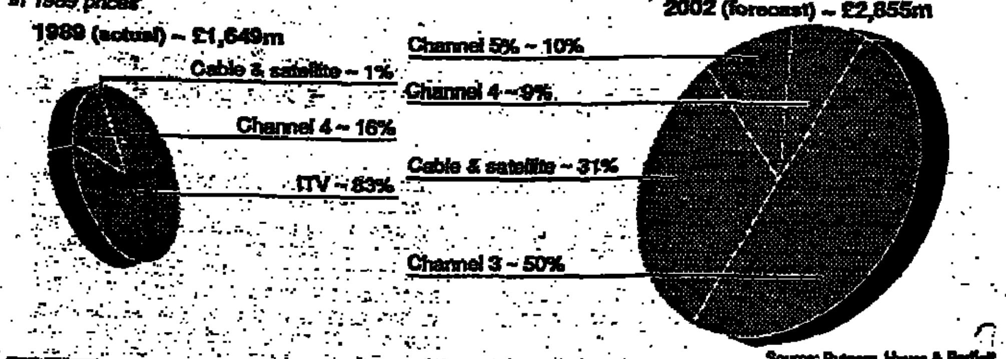
If any trend is discernible, it is that the number of independents will decrease and their average size increase. Last year, Channel 4 commissioned programmes from no fewer than 526 companies, only 28 of which made productions worth more than £1m. But already those with weight are beginning to flex their muscles; Broadcast Communications, now owned by the Manchester Evening News and Guardian newspaper group, has bought four factual programmers, and Mr Styles sees more conglomerates growing through agreed mergers or hostile takeovers.

Some of the new Channel 3 franchises may also follow the lead of BSB and commission whole categories of programming, such as sport or light entertainment, from one independent. Those currently holding ITV franchises that fail to win the Channel 3 auction may transform themselves into independents, offering libraries, personnel and programme rights which no small producer can match.

**Richard Lander**

## Net advertising revenue

In 1989 prices




Source: Putnam, Hayes & Bartlett

**Dr Cento Veljanovski** looks ahead to next year's franchising round

# ITV companies face cost-cutting crunch

NEXT YEAR, Britain's main terrestrial commercial channel, ITV, will be up for grabs. The licences to operate the 15 regional companies and one national breakfast-time service (TV-am) will be awarded on the basis of competitive tender to the applicant who offers the highest cash bid. The existing companies face the prospect of losing their only asset — the right to broadcast — and

**ITV had its worst ever fall in advertising revenue in August**

others sense the opportunity to enter what until now has been a lucrative monopoly of advertising revenue.

The changes brought about by the Broadcasting Bill, which include the licensing of a fifth channel, follow others which will fundamentally alter the nature of British television. Technological change, competition from satellite and cable, and deregulation have all combined to confront the future operators of the regional commercial licences with two certainties — falling market share and lower profitability.

To add to these grim prospects, the present ITV companies prepare to enter the new world of Channel 3 (as ITV will become known), shackled by restrictive legislation, an inefficient regional structure and the financial burden of having to pay large sums for broadcasting licences. As if to warn of the coming austerity, ITV experienced its worst ever fall in advertising revenue in August.

To most outside observers, it would seem self-evident that when the props of monopoly and regulation are kicked away, self-preservation demands decisive and rapid action. This is particularly so because ITV's past business practices — the decision to build regional studios, the large in-house production capacity, and the type of programmes produced — were forced on them by the regulator. They never reflected the commercial logic of television, and they certainly do not reflect its future.

It is, therefore, disturbing that most of the existing ITV companies seem to be clinging to the past and have not acted swiftly to cut overheads, reduce manning and rationalise their operations back to the core business of broadcasting. Most appear to be preparing

**Most of the ITV contractors have taken the soft option**

for next year's franchising round as if it were 1980, rather than 1990.

At the heart of ITV's problems is an identity crisis; one that few recognise. The very features of the industry which have been regarded as its strengths lie at the heart of its commercial vulnerability. The backbone companies of the ITV regional system (the six "majors") have the structure of media conglomerates involved in all aspects of television. This inefficiency was affordable because of the monopoly of advertising that ITV enjoyed. It is not so now.

Faced with competition from less regulated broadcasters, the successful Channel 3 companies will be those which understand that they are in the broadcasting business — that is, the packaging of programmes and the selling of airtime. The Broadcasting Bill gives the bidders the opportunity to adopt this option as publisher contractors, yet many may not seize it.

In preparing for the re-licensing round, most ITV contractors have taken the soft option, squeezing more out of their existing operations by creating separate "profit centres" for facilities, programme production and airtime sales, and diversifying into related businesses.

However, since the present inflated cost structure of ITV is solely the result of regulation, many of these changes will establish cost, not "profit", centres. This is especially true of the attempt by ITV to hire out its facilities in a sector with considerable excess capacity, only delaying the inevitability of closure. Those ITV contractors who have sought to expand into other activities, most notably US programme production, through acquisition have had their fingers burnt. In an unregulated world most ITV contractors would be the subject of takeovers, not on the acquisition trail.

These attempts to flaunt ITV's new commercial virility have been disappointing, indicating a commitment on managements' part to costs rather than maximum shareholders' wealth.

This assessment of ITV is more than the usual prescrip-

**The scope for cost and manning cuts in ITV is substantial**

tion to do better. It reflects a view that ITV's response has been inadequate in relation to the threat posed by the government's plan to auction franchises next year. The cash bid procedure requires each applicant to set the excess profits tax it feels able to pay over the next decade while giving shareholders an adequate return on capital.

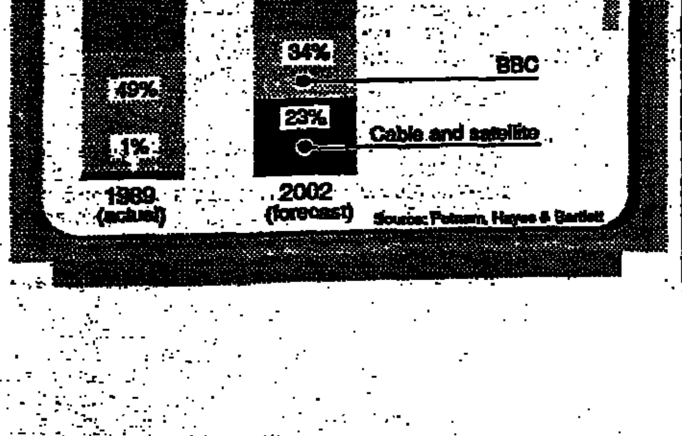
What appears not to have dawned on most in the industry is that operational efficiency is the key to securing a franchise and responding to the competitive challenges posed by satellite television. The lower are overheads and operating costs, the more cash that can be bid to secure a franchise. And, given the prospect of falling market share and little real growth in revenues, the key to success in ITV will be the ability to contain costs.

The scope for cost and manning reductions in ITV is substantial. ITV currently provides one federated channel with over 15,000 people. Channel Four provides a national channel with around 400 staff and Sky broadcasts four national channels with only 830 employees. While the nature of the programmes shown by each is different, there is little doubt that the costs of ITV can be brought down dramatically.

TV-am's recent success in reducing its salaries bill from £8m to £2m shows what can be achieved. Overheads can and must be reduced to levels which are more sensible for the scale of enterprise involved. The regulator can also play its part in encouraging companies to realise that the bidding process will place a premium on efficiency in running a profitable business and meeting the regulatory requirements.

The new Independent Television Commission wants Channel 3 companies which are flexible enough to be able to respond to changes in economic conditions. The last thing the new ITC wants are companies trading on their past records but without the management skills and financial resources to sustain a television service in the 1990s.

*The writer, who is a director of the Institute of Economic Affairs and of Putnam, Hayes & Bartlett, is here offering a personal view.*




**Raymond Snoddy** says the big decisions about the BBC have been postponed

# The great escape

TO THE casual eye, it may seem that the BBC has had a great escape. While some opponents or potential rivals may have called for the corporation's dismemberment and "privatisation", or the replacement of the licence fee by advertising or subscription, the government decided that the BBC should continue, at least for the time being, to retain a special role as the "cornerstone" of British broadcasting.

The hostile arrows of the Broadcasting Bill were aimed principally at the ITV companies. For a time, it even looked as if it were government policy to reduce the number of public service television channels in Britain from four to three, although in the end continuity triumphed over radicalism.

Apart from government insistence that independent producers should have access to 25 per cent of programme schedules (with specified exemptions), the BBC will emerge virtually unscathed from the legislation. Plans to remove one BBC channel after midnight and hand it over to the commercial sector were abandoned as impractical.

The BBC is still angry, however, that the Office of Fair Trading has been brought in to monitor compliance on the independent quota. It also opposes government plans to remove protection from a series of listed events, such as the FA Cup Final and the Wimbledon tennis tournament, so that broadcast rights can, in theory, go to the highest bidder. The BBC argues that it would be wrong if such "national events" were to be bought up by satellite stations and available only to those who have satellite equipment and are prepared to pay a monthly subscription.

The big decisions about the BBC have, in effect, been postponed until the run-up to the renegotiation of BBC's Royal Charter, which expires in 1996.

Whatever the political complexion of the government after the next general election, there will almost certainly be some form of committee of inquiry to look into the role of the BBC in the next century and whether it should still be financed by a universal compulsory licence fee.

Yet although the corporation is not at the centre of imminent broadcasting dramas, such as the competitive tenders for the ITV companies' franchises, life is far from easy for Mr Michael Checkland, the BBC director-general and his management team.

The corporation is facing a tough series of interlocking decisions, most of which have a pressing financial dimension.

The stage was set for a period of financial stringency more than three years ago, when Mr Douglas Hurd, then

Michael Checkland of the BBC

Home Secretary, announced that the licence fee was to be linked to the Retail Price Index — a severe squeeze on revenue, as around 70 per cent of the BBC's costs are wages, which are not reflected in the RPI.

At the same time, the corporation has promised its staff that it will bring pay into line with market rates; a study is under way at the moment.

To make ends meet, the BBC announced plans in January to save £75m a year by 1993 — plans which included the disbandment of one of the corporation's six orchestras, the shelving of a new £200m radio centre and the loss of a significant number of jobs.

Last month Mr Checkland told BBC unions that decisions had already been taken on 1,400 job losses, mostly through the contracting out of services such as security, cleaning and catering. He has made it clear that 1,400 is just an "interim" figure. Union leaders fear the total could rise to 4,000.

The £75m a year target does not include the inevitable financial pressures, at least in the short term, which will flow from the move to independent production.

The BBC recently confirmed that it would be commissioning 1,400 hours a year of programmes, worth more than £100m, from the independent sector by 1993. That total, the BBC believes, meets the 25 per cent quota after the deduction of the allowed exemptions — news and news-related current affairs, repeats, presentations and bought-in films.

As a result, the corporation will close down one quarter of its existing studio capacity.

The crossover period, when the independent commissions are building up but before the BBC's overheads have been trimmed, will cost millions of pounds.

The move to independents is going ahead despite an independent study by consultants Ernst & Young, which concludes that overall production costs in the independent sector are 15 per cent higher than in the BBC, mainly because of higher wages.

After examining the cost structures of 10 programmes produced by the BBC and 10 by independents, the consultants conclude that "there is no evidence to suggest that the BBC will be saving money as the proportion of its programmes commissioned from independents increases."

The present three-year deal on an RPI-linked licence fee runs out in March when the BBC planned to make a case for the arrangement to continue until 1996. But last month Mr David Waddington, the home secretary, made clear that the government had decided the new licence fee should be set at less than RPI.

As the same time as the growing financial pressure, competition for the audience is also likely to intensify.

In August, the BBC took 48.8 per cent of total viewing and in the course of an average week just over 90 per cent of viewers watch at least one BBC programme. But as cable and satellite television spreads, Mr Checkland believes that the BBC's share of total viewing will inevitably decline.

A priority over the next five years will be to maintain the reach so that satellite viewers still tune in to the BBC.

The survival of the universal licence fee, and with it the present structure of the BBC, could depend on his success.

# COLOUR, CONTRAST, BRIGHTNESS AND VOLUME. THE STORY OF BSB.

*British Satellite Broadcasting has become the greatest single new media investment in the world.*

*Yet to those receiving our direct to home broadcasts, we're only five months old. Those who picked up our test transmissions on cable will consider us a month older.*

*For the consortium originally awarded a contract by the IBA, the story goes back to December 1986. After an open competition, the group, including Pearson, Granada and Anglia Television, was granted a franchise for three of the UK's national direct-broadcast-by-satellite channels on the strength of programming and subscription revenue plans.*

*After further competition, BSB gained two further channels in 1989.*

*BSB's history has been brief and eventful. The company's determined aim has always been to become a vital part of the British broadcasting scene.*

*Its progress is of significance to a spectrum of parties ranging from the financial community, across the rental, retail and manufacturing industries to advertisers, programme producers and, of course, the public.*

*How, and indeed what, are we doing?*

## THE VIEW FROM THE SOFA

*On 1st October, BSB was available to 1.9 million viewers in approximately 670,000 homes in the United Kingdom.*

*The audience comprised some 90,000 homes receiving the service through a 'Squarial'® or compact dish; 315,000 homes via broadband or narrowband cable and some 265,000 homes attached to communal aerial (Master Antenna) systems.*

*By New Year's Day 1991, BSB is confident of being in over a million households. The corresponding audience potential will be more than 3 million people.*

*By then, BSB will be in 750,000 households covered by cable and communal aerial systems thanks to contracts already signed. Like the BBC, Channel 4 and ITV, ours is a 'must-carry' service on some cable systems. However, we're spearheading an additional drive with local authorities, private landlords and Telefusion Ltd (the UK's largest Master Antenna System operator) to modernise communal aerial systems to include BSB.*

## THE FIVE-SIDED BOX

*BSB's five themed channels are the Movie Channel, the Sports Channel, Galaxy, The Power Station and NOW.*

*The Movie Channel is perhaps the motivating reason to purchase satellite equipment. Screening at least 20 new-to-television films each month, its autumn schedules include the small screen premières of, for example, 'Rain Man,' 'The Accused,' 'The Untouchables' and 'A Fish Called Wanda.'*

TYPICAL AUTUMN FILMS ON THE MOVIE CHANNEL

- RAIN MAN
- THE ACCUSED
- A FISH CALLED WANDA
- THE LAST EMPEROR
- CROCODILE DUNDEE II
- THE LIVING DAYLIGHTS
- THE UNTOUCHABLES
- COMING TO AMERICA
- FATAL ATTRACTION
- PERSONAL SERVICES
- WHITE MISCHIEF
- FRIDAY 13TH PARTS VI AND VII
- BIG FOOT AND THE HENDERSONS
- MOONSTRUCK
- SOMEONE TO WATCH OVER ME
- BLIND DATE
- SCANDAL
- LITTLE DORRIT

*The films shown typically include Hollywood 'blockbusters,' Oscar-laden triumphs or independent successes. Evening viewing is available on subscription while free daytime screenings include the great and the good of cinema classics.*

*BSB has five year deals with Paramount Pictures, Universal, Columbia/Tristar and Orion as well as licensing agreements with MGM/United Artists and leading independents. With over 2,000 films secured before launch and judging by UK box office successes, the Movie Channel has a commanding lead over its competitors.*

*The strength of the Sports Channel is twofold: a comprehensive peaktime coverage of major events and British TV's only regular live sports news service.*

*The channel caters for almost every sporting persuasion from the FA Cup to American sports fishing. Forthcoming highlights include exclusive live European Championship games, including England vs Poland and Scotland vs Switzerland on 17th October. Over 70 live matches will be covered over the season.*

*James 'Buster' Douglas's first world heavyweight boxing title defence is also an exclusive live broadcast on 26th October.*

*In other fields, the Sports Channel covers more live British rugby league than any other station and serves up a top class tennis, golf, cricket or, say, darts match each evening at 8.00pm, often live.*

*Galaxy is a channel providing a variety of comedy, drama and family fun. It too has a broad canvas.*

*The comedy 'Murphy Brown' and the drama 'China Beach,' both Emmy Award winners, share airtime with daily helpings of the irrepressibly successful 'Teenage Mutant Hero Turtles.' Our very own home-produced soap opera 'Jupiter Moon' is just one of 18 Galaxy shows or series commissioned by BSB each week. And, of course, there are game shows and both contemporary and classic British comedies.*

*The Power Station is the first British music and youth channel. It brandishes and broadcasts contemporary music as no other station before.*

*Every week-day, there are both mainstream and specialist chart shows. Forthcoming concerts, screened each Saturday and Sunday, include Tears for Fears, INXS, Inspiral Carpets, Phil Collins and Jason Donovan.*

*The Power Station's appeal is to all teenagers, even those heading for their 40th birthday.*

*During the week, NOW is a channel geared to the issues of the day, be they grim realities or general topics of interest. News bulletins are transmitted every two hours. Evening programmes are concerned with the natural world, lifestyle and controversial discussions hosted by, say, Sir Robin Day, Nina Myskow or America's Geraldo, a man prepared to probe further than most.*

*Come the weekend, NOW switches to provide a full 20 hours of arts programming. More opera, dance and orchestral works are broadcast than on any other British channel. Dame Joan Sutherland's farewell performance from the Sydney Opera House is just one attraction in a wealth of forthcoming programmes featuring the performing arts.*

## REVEALING OUR SOURCES

*BSB is unashamedly supportive of British broadcasting. Since the company does not make programmes itself, it commissions and acquires them from domestic sources wherever possible. This does not stop us from seeking out the best on the international market (notably films), but it colours our thinking.*

*For example, almost half of Galaxy's and over three quarters of NOW's total programming hours are British produced.*

*In addition to the companies shown in the table, BSB has a unique agreement with the BBC under which it may buy major comedy and drama classics. This follows an agreement with Equity, whereby BSB matches expenditure on UK acquisitions with newly commissioned comedy and drama.*

*Similarly, the company has a shared deal with the BBC to cover FA Cup football, internationals and Wimbledon.*

*After Channel 4, BSB is already the largest independent investor in British films. So far it has backed September's most successful UK Movie 'Memphis Belle,' 'Hardware' which sped to the top of the American Independent Films List, 'The Big Man' with Liam Neeson and Robbie Coltrane's 'Perfectly Normal.' (He is?)*

*Forthcoming releases include Cannes Special Jury Prize Winner 'Hidden Agenda,' Glenn Close in 'Meeting Venus' and Michael Palin's 'American Friend.'*

## THE HARDWARE

*There are now two BSB satellites. The second is being bought into service later this year after a successful launch in August.*

...cannot tell [illegible] revelation. The improvement in pictures is dramatic. Until you see a BSB programme in D-MAC you do not realise quite how much ghosting, flare and sheer fuzziness you have become used to.

FINANCIAL TIMES, 30TH MAY 1990.

*Such back-up means viewers are well protected in the unlikely event of a satellite failure. The power of BSB's signals on the ground in Britain will be roughly*

هكذا من الكهل



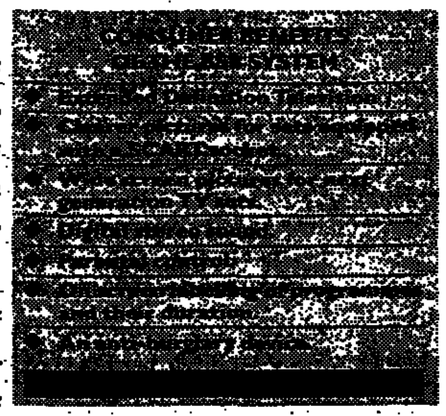
*eight times those of Astra. Frankly, the weather can do just about anything without affecting the outstanding sound and picture quality enjoyed by BSB's viewers.*

*To receive BSB direct to home, viewers need a compact dish (35cm in diameter) or 'Squarial'™ and a receiver box.*

*The key components of the receiver are the D-MAC chip and the Eurocypher conditional access system, known as an ACM. The latter is pivotal to successful subscriber management, as it provides an individual conduit between broadcaster and viewer. ACM's are manufactured by General Instrument of San Diego, California. To date, ½ million have been produced.*

*D-MAC is part of a family of standards prescribed by the European Commission, the British Government and the IBA for high-powered satellite broadcasting. D-MAC chips are supplied by ITT in Freiburg and now from a secondary source in the Far East. Over 300,000 have been delivered so far.*

*The technology of the receiver provides many very tangible advantages to both BSB and the consumer.*



*From BSB's point of view, the company can address individual receivers, control viewer access to specific channels and therefore manage the subscription system. It will also operate pay-per-view services in the future.*

*The wide band width available through D-MAC is a particular boon. Large amounts of data for clients can be carried on the back of the broadcast signal. A more sophisticated encryption signal can be used to counter attempted piracy.*

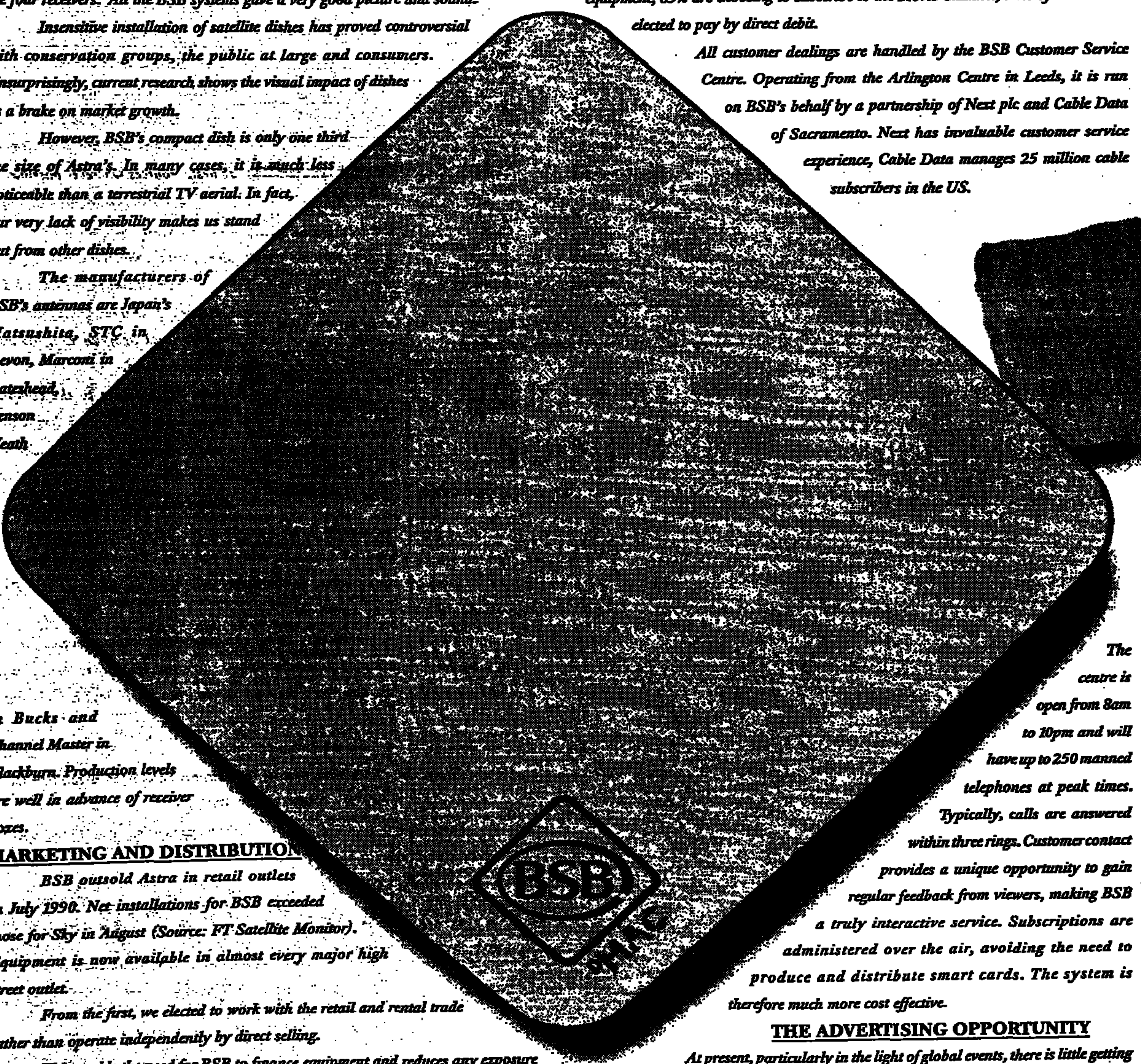
*By 1st October, nearly ¼ million receivers had been produced under licence by Ferguson, Philips, Nokia and Tatung. By Christmas, around 600,000 units will have been despatched from their factories.*

*The September 1990 edition of a leading consumer publication commented on the four receivers: 'All the BSB systems gave a very good picture and sound.'*

*Insensitive installation of satellite dishes has proved controversial with conservation groups, the public at large and consumers. Unsurprisingly, current research shows the visual impact of dishes as a brake on market growth.*

*However, BSB's compact dish is only one third the size of Astra's. In many cases, it is much less noticeable than a terrestrial TV aerial. In fact, our very lack of visibility makes us stand out from other dishes.*

*The manufacturers of BSB's antennas are Japan's Matsushita, STC in Devon, Marconi in Gateshead, Lenson Heath in Bucks and Channel Master in Blackburn. Production levels are well in advance of receiver boxes.*



## MARKETING AND DISTRIBUTION

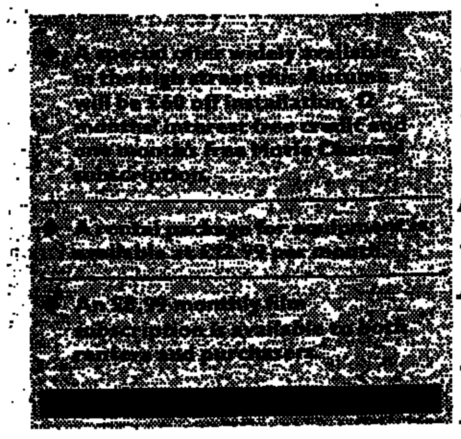
*BSB outsold Astra in retail outlets in July 1990. Net installations for BSB exceeded those for Sky in August (Source: FT Satellite Monitor). Equipment is now available in almost every major high street outlet.*

*From the first, we elected to work with the retail and rental trade rather than operate independently by direct selling.*

*This avoids the need for BSB to finance equipment and reduces any exposure to bad debt. The consumer is also assured of proper back-up.*

*Our support for both retailers and rental chains will be strengthened from mid-October. A 'Dealer Direct Demonstrator' initiative has been organised, involving up to 3,000 specially trained BSB demonstrators who will be working from stores and visiting local areas. It is a means to ensure that BSB is the highest selling new consumer electronics product for Christmas 1990.*

*At present, a BSB receiver, compact dish and remote control retails from around £359. The system has only one set-top box, unlike the spaghetti of decoders needed to receive the full range of Astra channels.*



*The overall promotional spend to Christmas is £45 million, over half of it dedicated to trade support.*

*A ubiquitous advertising campaign of print, posters and radio will support three television commercials featuring a host of personalities, including Christopher Reeve, Jason Donovan, Paul 'Gazza' Gascoigne and Sir Richard Attenborough.*

## RESEARCHING THE AUDIENCE

*The Broadcasters' Audience Research Board (BARB) is planning to publish weekly information on BSB's audiences before the year's end. In the meantime, initial diary research conducted by RSGB is very positive.*

*In a study of viewers watching direct to home, BSB's five channels enjoyed a viewing share of 39.2%. This contrasted with 26.8% for ITV and 22.0% for BBC1.*

*The direct-to-home households are more affluent than the normal profile of television households. The audience is younger and more male in profile than for ITV.*

*The audience share achieved to date far exceeds that in our Business Plan.*

## SUBSCRIPTION AND CUSTOMER MANAGEMENT

*Subscription is transforming the economics of broadcasting.*

*Satellite's detractors, those 'more means worse' critics, might have been credible if incremental services simply meant dividing the advertising cake between more players.*

*However, it is subscription that provides the key to BSB's revenue. In the early years, it will account for two thirds of its income, about half when the business matures.*

*Traditional British inertia and the video industry could have scuppered the subscription market. Yet results to date show the opposite. Among those with BSB equipment, 85% are choosing to subscribe to the Movie Channel, 90% of whom have elected to pay by direct debit.*

*All customer dealings are handled by the BSB Customer Service Centre. Operating from the Arlington Centre in Leeds, it is run on BSB's behalf by a partnership of Next plc and Cable Data of Sacramento. Next has invaluable customer service experience, Cable Data manages 25 million cable subscribers in the US.*

*The centre is open from 8am to 10pm and will have up to 250 manned telephones at peak times. Typically, calls are answered within three rings. Customer contact provides a unique opportunity to gain regular feedback from viewers, making BSB a truly interactive service. Subscriptions are administered over the air, avoiding the need to produce and distribute smart cards. The system is therefore much more cost effective.*

## THE ADVERTISING OPPORTUNITY

*At present, particularly in the light of global events, there is little getting away from the severity of the economic climate. Advertisers are looking for any leeway possible. The new media provides three opportunities.*

*In the grand scheme, the commerical audience can be enlarged through the erosion of the BBC's share. At the same time, competition reduces the power of the ITV monopoly. More specifically, themed channels and programmes create ever more tightly defined and targeted audiences.*

*Obviously, BSB is well-placed to contribute. We also believe that the advertising sector will stabilise by mid-1991. For the moment, subscription revenues and DataVision are there to supplement income.*

*This is not to overlook the fact that some 300 brands have advertised on BSB since its launch.*

**BSB ADVERTISERS: A SELECTION TO DATE**

| | |
|---|---|
| ◆ Abbey National | ◆ Kelloggs |
| ◆ Allied Dunbar | ◆ Kleenex |
| ◆ American Express | ◆ Levi's |
| ◆ Argos Stores | ◆ L'Oréal |
| ◆ Audi/VW | ◆ McDonalds |
| ◆ Barclays | ◆ Midland |
| ◆ Cadbury's | ◆ National Westminster |
| ◆ Coca Cola | ◆ Nationwide Anglia |
| ◆ COI | ◆ Pepsi |
| ◆ Colgate | ◆ PowerGen |
| ◆ Commercial Union | ◆ Radion |
| ◆ EMI | ◆ Rowntree |
| ◆ Esso | ◆ Schweppes |
| ◆ Findus | ◆ Smith Kline Beecham |
| ◆ Ford | ◆ [illegible] |
| ◆ Gillette | ◆ UB |
| ◆ Halifax | ◆ [illegible] |

*The Movie Channel is the only film subscription channel to carry advertising, albeit solely between films. The Sports Channel is unique in that it is targeted exclusively at a UK, and not a pan-European, audience.*

*The same goes for the The Power Station, designed entirely for young Britons.*

*Despite restrictive rules, BSB is working with a number of companies on programme sponsorship.*

*Organisations already committed to sponsorship packages include Diet Coke (tennis coverage), Fisher Price ('Parenting') and Sun Life. The new ITV Code, due for publication later this year, will allow a great many more BSB programmes to benefit from additional funding from sponsors.*

## BSB DATAVISION: A VALUABLE SUPPLEMENT

*DataVision is BSB's business communications arm. Essentially, it provides closed-circuit television for company networks.*

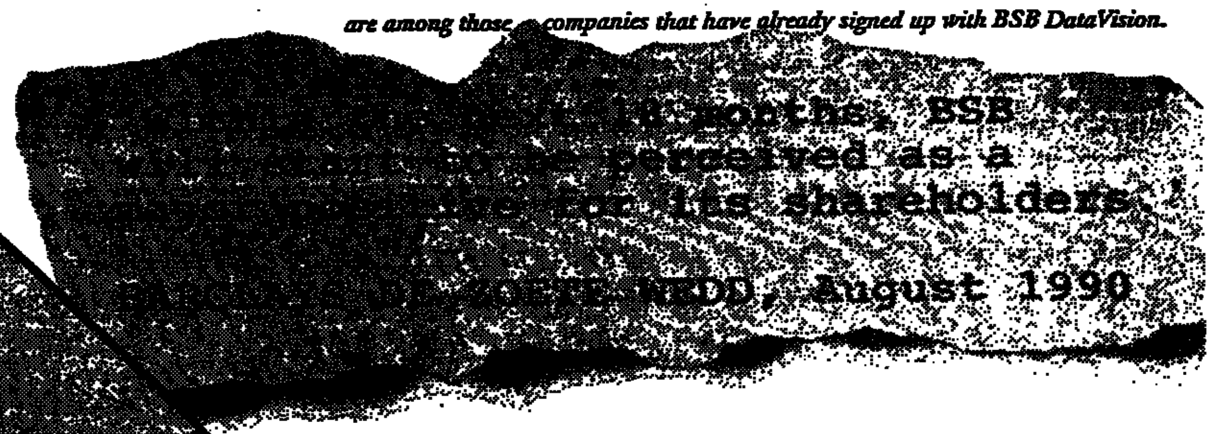
*The satellite technology uses the ACM's embedded in BSB's receivers and allows secure communication between very restricted audiences, such as clients or branches. BSB DataVision is one of seven companies operating across Europe with a Specialised Satellite Service licence from the Department of Trade and Industry.*

*Since control and secrecy are absolute, the possible uses are legion.*

*The system may also be used to transmit high speed data besides 'conventional' pictures.*

*One of the DataVision services is The Computer Channel, also available on subscription, which provides the latest industry news and in-depth training programmes to computer professionals.*

*National Westminster, Price Waterhouse, Abbey Life, Comet and Radio Rentals are among those companies that have already signed up with BSB DataVision.*



## FUNDING

*BSB has arranged funding of £1.3 billion of which some £900 million is equity. These resources are designed to be sufficient to take the company through to profitability. The company expects to break even during 1993 and to pay back the start-up investment by 1996.*

*The enterprise has always been perceived as one for the long term, approached as such by its investors.*

*BSB has ten shareholder companies of whom the leading four are Granada Group plc, Pearson plc, Chargeurs and Reed International plc. Their combined holding is 86%.*

*Satellite television has been the subject of many recent reports from analysts. Notably, Citicorp Investment Bank predicts that both BSB and Sky will thrive and that BSB will be making an annual profit of £350 million by the year 2000.*

## THE IMMEDIATE FUTURE

*British Satellite Broadcasting is an avowedly British, well-financed, entrepreneurial company.*

*Its hardware has been well and truly tested. Every aspect of its services, marketing and distribution is operational and competitive.*

*Above all, it is an exciting organisation.*

*As Chief Executive, Anthony Simonds-Gooding, comments, "It is time to drive forward BSB's penetration."*

*It is his belief that well over a million homes will have the service by Christmas. That would indicate a UK market share of around 40% of those homes receiving satellite television only nine months after the launch of BSB's services.*

*From there, two main objectives become the focus.*

*They are, simply, to break even in three years and achieve market leadership by providing an innovative, popular and compelling television service.*

BSB

**5 CHANNEL TV**

*British Satellite Broadcasting Ltd., The Marcopolo Building, Chelsea Bridge, Queenstown Road, London SW8 4NQ. Telephone: 071-978 2222.*

## Christopher Dunkley attacks the educated classes' pessimism on new technologies

# Quality can reach the mass market

WIDESPREAD AMONG those who have been raised on books, educated via books, and achieved their standing in life thanks to books – in other words virtually everybody in politics, education, the mass media, the civil service, the church, law, medicine and the other professions which necessitate higher education – there is a deep, abiding pessimism about the quality of television. It has always been so, but as the new technologies of satellite, cable and videocassette lead the way into a new age of plenty, the pessimism, far from disappearing, seems to proliferate.

More, we are repeatedly assured, means worse. The people who used to tell us, on the evidence of a weekend in Paris and 10 days in New York, that British television was the best in the world even though it was so awful, now say that multi-channel television is a huge con. Having spent four days in an American hotel room, zapping through the breakfast programmes while shaving, they come back across the Atlantic and announce with I-told-you-so satisfaction: "It's just 48 channels of the same rubbish."

What they mean by this is that in the US you do, indeed, get a lot of similar-looking breakfast programmes; and late at night, the only other time when they are free to watch, there are, of course, a lot of old black and white movies and re-runs of *I Love Lucy*. They do not tell you about the Spanish or Japanese channels because they do not understand those languages and if they happen to meet one while zapping, they go straight past. They do not tell you about the 24-hour news on CNN because, well, the news is the news, isn't it, just part of the same old familiar stuff. They do not tell you ... well actually they do not tell you about anything which does not reinforce their preconceptions.

Even though they do not possess British satellite dishes and have only ever spent 20 alcohol-fuddled minutes at the end of a dinner party flicking through the Astra or BSB channels on a friend's set, they are equally confident about the worthlessness of these: "See quite enough of that Madonna on the channels we've got already, thanks very much old boy."

Since the same people were equally dismissive about the arrival of the video recorder, colour television, and even television itself ("It'll never replace the wireless, old boy, we've only bought one for the sake of the au pair") such shallow obscurantism seems to deserve little more than a smile. Yet there is a danger here akin to that which so many parents perceive in education: unless the educated middle classes become actively involved, and keep on demanding good material and high standards, the talk about a slide into the lowest common denominator may become a self-fulfilling prophecy.

It is clear at present, despite all this pessimism, that the new age of television does not have to be like that. Obviously, there is a lot of cheap trivia on the box, but then the same is true of any area of human endeavour: the amount of cheap and trivial nonsense produced in the print medium (tabloid newspapers, soft porn, paperback romances) heavily outweighs the serious high quality stuff. There is more tat produced by the clothing industry than haute couture, and so on.

Even at this very early stage of satellite television there is already a reasonable proportion of material which the most demanding viewer would have to admit was not rubbish. The most notable offerings of this sort so far are the astonishing array of weekend arts programmes provided by BSB, and the 24-hour news service on Sky News which established its credentials so remarkably quickly. There are other impressive series and single programmes, but these two examples are much too big to be scoffed away by the "It'll never work, old boy" brigade.

They are not cheap (industry gossip suggests that Rupert Murdoch has been appalled at the cost of a 24-hour television news service, even one as tightly stretched as Sky's) and it would probably be fair to see them as loss leaders, which will pull in the more discerning, more demanding viewer. Indeed, the entire satellite operation is, so far, a loss leader in the sense that nobody expects it to make a profit for several years.

But these two services illustrate a crucial fact about the way in which programming in the new technologies is going to differ: it is not the content so much as the manner in which it is supplied that changes. This is surely not all that surprising. After 50 years of television it is virtually impossible for satellite or cable, or any other technology, to produce new and utterly different sorts of programme out of the blue. Yet they can offer a fundamentally different service to the viewer.

There is a big and significant difference between being offered news at six o'clock, nine o'clock and 11 o'clock, and being sure that you will see the news within moments of switching on at any time of the day or night. To know there are movies on Monday and Friday nights (or whatever) is one thing; to know that whenever you switch on to the BSB or Sky movie channels there will be a movie showing, and another starting when that finishes, is something quite different.

In its effect on the way the public uses the medium, it may not be too pretentious to suggest that this change could be as profound as that from the medieval chain libraries, where the books were padlocked to the desks, to the wide availability of printed books. In both cases the revolution takes away the control – even dominance – of the creators within the medium and passes control of choice to the public. In theory, the domestic video recorder achieves the same effect, but in practice many viewers are unwilling (and a large number simply unable) to organise their own time-shifting.

Despite the talk, we are still in the early days of the new television technologies, but all the signs are that in this industry, as in every other, some producers will be interested in cheap goods for mass consumption, but others will be primarily interested in high quality. The clothing industry gives us Turnbull and Asser as well as C & A, and a glance at the new independent companies created as a result of launching Channel 4 suggests more programme makers are interested in the Turnbull and Asser end of the market than in the C & A end.

Ultimately, the most important question is whether the economics of the industry are such as to allow the existence of a television Marks & Spencer: good value, high quality products for a mass market. It is not only pessimistic but rather silly to assume that nobody will want to do this. The admirable combination is achieved in other areas (in food by Sainsbury's, in books by Penguin) and up to now the British have proved to be extraordinarily good at achieving similar success in television, both public service and commercial.

If "our people" in the Noel Annan sense want this to continue in the age of the new technologies, the answer is largely in their own hands: instead of hanging back and pretending that satellite services are for council estates and au pair girls, they should buy their dishes and then cleave to the good stuff and condemn the bad.

## Raymond Snoddy on an unusual privatisation

# First switch of its kind

COMPARED WITH electricity or water, the privatisation of Britain's commercial transmitter system is pretty small beer. The sale by private treaty rather than public flotation which will take place early next year is, however, probably the first of its kind in the world of broadcasting.

In countries such as France and Holland, the transmitter system has been separated from the programme-making companies. But Dr John Forrest, executive chairman of National Transcommunications, as the new company is now known, believes it is the first time that a national broadcasting transmitter and engineering system has been parcelled up and sold in its entirety to the private sector.

According to consultants Price Waterhouse, which is organising the sale, there has been widespread interest from the US, Japan and continental Europe as well as the UK.

The most important asset of National Transcommunications is the more than 1,000 sites – usually on hilltops – and the transmitters on them which bring commercial broadcasting to around 99 per cent of the UK population.

Despite moving into the private sector, there will still be an element of regulation. The company will in effect have contracts to broadcast Channel 3, as ITV will be known in future, and Channel 4.

The Broadcasting Bill requires all Channel 3 companies to go to one transmission operator for transmission services. Mr Howard Hyman, Price Waterhouse head of corporate finance for Europe, argues that though the bill does not specify the operator should be National Transcommunications, "the new company is in a *de facto* monopoly position through its ownership of the transmitters and through the requirement in the licence that the transmission operator should provide a national service."

Channel 4 is not tied to the new company by legislation but the fact that National Transcommunications will own all the transmitters currently providing the service, Mr Hyman believes, gives it a strong economic advantage.

The new company will, however, have to compete in the marketplace for new broadcasting business such as the contract to broadcast Channel 5, the planned new national channel. C 5 should get under way in 1994. On radio there will also be potential competition. Independent local radio companies will be free to make their own arrangements for transmission from the beginning of next year.

**"The new company is in a de facto monopoly position"**

However, the competition will be less than the government once envisaged.

The broadcasting white paper in 1988 suggested that the best way to move transmission progressively into the private sector would be a regionally-based system designed to promote competition.

Price Waterhouse advised strongly against creating a regional system and instead suggested that privatisation should be based on the formation of two national companies out of the operations of the BBC and the Independent Broadcasting Authority, essentially splitting the country between them and with only one company at each site. At the moment the IBA and BBC almost invariably share sites.

This would have needed the permission of the BBC in advance of the renegotiation of the Royal Charter in 1996 and would also have involved considerable engineering.

In the end the government expressed its intention to privatise the transmission networks of the BBC and IBA when it was able to do so but went ahead only with the privatisation of the IBA system.

As "punishment," the BBC was told it could not compete for new business such as C 5.

National Transcommunications will be based at Crawley Court, near Winchester, the IBA's engineering headquarters. But though the location will be the same, the nature of the business had changed even before the transfer of the assets into the private sector.

There has already been a 20 per cent "slimming down" of the staff of around 1,000 through early retirement and voluntary redundancies and some new "private sector" skills have been brought in.

Mr Ronald McKellar has been hired as finance director from AMT, a high technology company and Mr John Okas, the new marketing director, has come from Motorola.

The NTL business plan will include a research and development capability, although it will probably be slimmed down compared with the existing IBA research role.

Mr Hyman believes there will be real opportunities for growth from new developments in broadcasting such as local microwave television and in telecommunications.

"The IBA already receives income from cellular radio operators and other non-broadcasters and it is not difficult to imagine the potential that other developments, such as personal communications networks could have," he says.

Although formal invitations to submit tenders for National Transcommunications will probably go out early next year, no valuation has yet been made. That, Mr Hyman says, cannot be determined until the restructuring process is complete and the economic regulatory regime is finalised.

Industry guesses, however, start at around £100m.

## EUROPEAN PRODUCTION

# Cartoon catches on

Gerhard Hahn, Triangle's Berlin director-producer

EUROPEAN ANIMATION production is on the way to a new high as a result of increasing co-operation between partners – both among producers and broadcasters. With eastern European studios also opening their doors, for the first time it has become possible to compete effectively with the big American and south-east Asian studios – without losing traditional quality.

The extent to which the European industry has overcome the problems associated with small national markets is due in no small measure to the efforts of Cartoon – probably the most successful project under the umbrella of the EC's Media 92 programme. In less than three years it has helped transform ailing and disparate national industries into the beginnings of a successful European production facility.

This has been achieved by setting up an efficient administration, a comprehensive European database and a mechanism to bring together groups of broadcasters to co-fund productions. It has encouraged studios to form trans-national European economic interest groups (EEIGs) to tackle more substantial projects.

"Why should we form a such a group?" asks Mr Robin Lyons, head of Cardiff-based Siriol Productions – a member of EVA, one of five EEIGs now set up under Cartoon.

"Essentially, it is because individually we can't satisfy the programming needs of the broadcasters. Only by pooling our resources can we produce at the rate they require.

"There is now a tremendous demand for animation because of the proliferation of television stations. But that doesn't necessarily mean there is any more money available. It is the kind of situation where the Americans could have cleaned up by selling on their own programmes No single UK company could have afforded to commission a new production – that is why bringing European broadcasters together to invest is so important."

Between September 28 and 30, the first Cartoon forum was held on the island of Lanzarote. Buyers from European television channels met with studios and groupings seeking finance for animation projects.

"The idea was to do something about the fact that it usually takes anything between two and five years to get a project going. We are accelerating the process of financial backing," says Mr Marc Vandeweyer, Cartoon's secretary-general.

Beyond simply ensuring that finance can be raised, this means programmes are more likely to be shown in more than one European country. Previously, it only tended to be imports that would be screened throughout Europe, whereas European productions would generally be shown only in their country of origin.

The strength of Europe as an animation centre has increased yet further with open access to the studios of eastern Europe and their traditions of artistic excellence and low wage costs. Yugoslavia will become the 13th member of Cartoon in November and Hungary has already applied to join.

The Welsh fourth channel, S4C, is currently producing a series of six animated films of abridged Shakespeare plays – which are being made in the Soviet Union. The equivalent of half the funding has been put up by the Soviets. Robin Lyons' group is making a series in Budapest, called *The Princess and the Goblin*, financed by British, Hungarian and Japanese broadcasters.

Continued on Page 8



## ADVERTISING REVENUE

# The pie may get bigger

THE LIFEBLOOD of commercial broadcasting is advertising revenue, and the future success of both new and existing TV and radio stations will depend on a sufficient increase in this revenue. Will there be enough to go round?

Excessive demand for TV airtime, which caused steep price rises in the late 1980s, in part led the government to allow the expansion now taking place. Current economic conditions have put a brake on the price hikes, however, with growth in ITV ad expenditure expected to be flat in real terms this year and next.

But in time, most industry forecasters believe that TV ad revenue will expand from its current 27.5 per cent share of total ad expenditure. Saatchi and Saatchi says that most European countries will at least double real TV ad expenditure between 1989 and 2000. In the UK, at constant 1988 prices, 1989's expenditure of \$3.77bn should rise to \$4.72bn in 1995 and \$5.97bn in 2000. Cable and satellite should grow from \$28m in 1989 to \$817m in 1995 and \$1.74bn in 2000.

The changes for ITV from stability and monopoly of commercial audiences and revenue to fragmentation have already occurred elsewhere in Europe. Work by Carat International shows that in West Germany in 1985 public channels took 98.6 per cent of ad revenue. In July 1990, they took 48.1 per cent, with RTL Plus taking 27.8 per cent, Sat-1 18.8 per cent and others 5.3 per cent.

The battle for audiences in the UK will be hard-fought. Sky Television was received by 1.6m homes – compared with 607,000 reached by British Satellite Broadcasting – by the end of August and research for the week ending September 16 shows that, where it was available, Sky had a 26.7 per cent share of viewing, with the Astra channels together taking 35.2 per cent. ITV and Channel 4's share was 33.1 per cent.

The satellite channels are likely to take around £40m in ad revenue next year. But their main source of income will be subscriptions for their film services. Sky Movies is taken by 780,000 homes. Both Sky and BSB expect the proportion of subscription to ad revenue to change over the next few years to around 50-50.

Industry forecasts are that ITV will still be dominant in its share of ad revenue at the end of the century. However, some players may not survive. Mr Andrew Green, media development director of Carat International, says: "It is stupid that the ITV map is being left the same. The marginal stations stand no chance."

From 1993, Channel 4 will be selling its own airtime and has just appointed Mr Stewart Butterfield as sales director. To ensure that the station can stick to its current remit, the ITV companies will have to top up its income if it takes less than 14 per cent of terrestrial net advertising revenue, to a maximum of 2 per cent. If C4 takes over 14 per cent, ITV will get 50 per cent of the surplus.

In its latest predictions about the future of TV, Granada Television argues that competition for high-rating shows, which will command a premium, will be intense. "Broadcasting in the commercial sector in the 1990s will be all about getting market share," says Mr Malcolm Wall, sales director. The 1990 position, where the BBC has 46 per cent of viewing, ITV 41 per cent, Channel 4 9 per cent, TV-am 2 per cent and satellite 2 per cent, will, Granada predicts, move to BBC 37 per cent, Channel 3 32 per cent, Channel 4 6 per cent, TV-am 2 per cent, satellite 19 per cent and Channel 5 4 per cent in 2002. ITV will then be taking 60 per cent of ad revenue, it forecasts, and a 1 per cent gain or loss of audience share will represent a shift of £30m in ad revenue.

Many channels competing for the same programmes will act to drive up their prices, although the operating costs of running a TV station are likely to be significantly lower. Few TV stations in continental Europe are profitable, however. The most profitable, Canal Plus, is a pay-TV station.

Radio is also expected to increase its share of total advertising expenditure, from its current 2 per cent, as it adds several hundred local and three national stations. Saatchi estimates that radio will take £166m in 1990, and the Advertising Association predicts that this will grow by 10 to 12 per cent next year.

The prospects for radio look healthy. After all, in France, which has a similar population to the UK, there are 1,600 stations, taking a 12 per cent share of ad revenue.

**Liz Roberts**
*Media Week*

## Battle for supremacy between BSB and Sky

# The satellite wars

MR Christopher Bland, chairman of LWT (Holdings), suggested recently that he did not believe that there was room for two satellite stations in the UK; either Mr Rupert Murdoch's Sky Television or British Satellite Broadcasting would go. But Mr Bland, speaking at an LWT interim results press conference, declined to say which one he thought it would be.

Two weeks earlier Mr John Anderson, a consultant, published a report which was pessimistic about the prospects for BSB. When material from the report was featured in a Sky advertisement in Variety, the US showbusiness magazine, BSB served a libel writ on its satellite rival. Sky says it will defend vigorously the writ and claim for exemplary damages.

At about the same time, Citicorp Investment Bank in London published a study of the media industries, arguing that Sky and BSB will be able to co-exist and that Sky will move into profit in 1992 and BSB by 1994.

There is no shortage of forecasts on the future of satellite television in the UK and no way of predicting the outcome of what is one of the great commercial battles of the European media scene.

### A great commercial battle of the European media scene

The one thing that can be stated with certainty so far, however, is that satellite television has made remarkable inroads in the UK since Mr Murdoch launched his Sky Television channels in February 1989. By the end of August, the number of homes that could receive satellite television direct to the home exceeded one million for the first time – the vast majority of them equipped with Astra dishes able to receive channels such as MTV, Screen Sport, and Children's Channel, as well as the four Sky channels (Sky One, Eurosport, Sky Movies and Sky News).

As a result of the latest figures, Continental Research has increased its forecast for the end of the year. It now estimates that 1.6m homes will be receiving new channels from dishes or "Squarials".

By August however, the number of consumers saying that they will definitely or probably install satellite television had fallen to 1.7m. By last month the multi-million advertising campaigns by both BSB and Sky were having their effect and the number of probables and possibles had risen to 2.33m. According to Continental in September the picture on actual installations was static.

The outcome of the battle for the potential renter or purchaser appears to be still open with about one-third of consumers saying they will choose BSB, one-third Sky and the remainder undecided.

The next six months could prove critical for BSB, a high-cost consortium which has raised no less than £1.3bn for its five-channel satellite venture. Some analysts believe BSB running costs could reach £1.2m a day in the year to September 1991.

Until last month, BSB, which launched its programme service in April, was suffering from shortages of equipment following earlier delays with vital microchips.

When an adequate supply of receivers reached the shops, BSB launched a £50m advertising and marketing campaign to try to close the gap with Mr Murdoch's Sky, which already has an installed base of more than 900,000 dishes.

The rate of installation of BSB "Squarials" has been running at a rate of more than 850 each working day and BSB claims to have the capacity to install up to 100,000 receivers a month.

Mr Anthony Simonds-Gooding, chief executive of BSB, says: "We are extremely encouraged by the growth in demand for BSB – we are on course for over one million homes this year and profitability within three years."

Of that 1m forecast, 400,000 homes would be equipped with their own "Squarials" or small dishes and the remainder supplied through either communal systems or cable television networks.

Mr Murdoch who now believes there could be room for two players in the market has the right to call Sky a success so far, though a loss of £95m at the station in the year to June helped end a run of eight years of record profits at Sky's ultimate parent company, News Corporation.

Meanwhile, Sky is pushing on in the hope of breaking even, probably by 1993, by emphasising in its advertising campaigns that the Astra system delivers 16 channel television (although only eight are in the English language) and is due to become a 32-channel system when a second Astra satellite is launched next year. Final decisions have not yet been taken, but the new satellite is likely to offer a further three English-language channels as well as channels in French and Spanish.

One piece of good news for Mr Murdoch, and probably for BSB too, is the increasingly strong evidence that many consumers are prepared to pay up to £10 a month for a feature film channel. More than 70 per cent of satellite viewers seem prepared to pay a subscription – an essential stream of finance until audiences are big enough to attract serious advertising spending.

For BSB, the most pressing task is to provide concrete evidence that the Murdoch lead is not unassailable.

The battle between BSB and Sky may be the most intense in Europe, but the latest Pan European Audience Research shows that satellite television – everything from Mr Ted Turner's Cable News Network to MTV and Super Channel – is starting to reach a significant audience.

### Murdoch says there may be room for two players in the market

The survey, conducted by Nielsen in 11 European countries, suggested that 24m viewers watch satellite television every day, representing a doubling of the audience since 1989. In homes capable of receiving it, commercial satellite television's audience share had increased from 20 per cent to 39 per cent, while the share reached by conventional broadcasters declined from 78 per cent to 60 per cent.

Overall, the Nielsen survey says that 42.9m Europeans watch commercial satellite television for a weekly average of 7 hours 2 minutes, and the total grows to more than 50m over a four-week period.

Whatever the doubts about short-term balance sheets and how quickly the satellite audience will grow, the signs are that highly competitive multi-channel television on the US model is here to stay. It will inevitably mean more difficult times for traditional broadcasters in future.

**Raymond Snoddy**

## CABLE TELEVISION

# Snail is on the move

CABLE television looks like becoming a formidable competitor of the established broadcasters such as the BBC and the ITV companies in the 1990s.

Despite the success of multi-channel cable television in the US, British broadcasters predicted confidently that it would never happen in the UK. The snail-like progress of the industry since the first 12 experimental franchises were awarded in 1983 seemed to confirm that judgement, and indeed two of the 12 have yet to launch a service.

After nearly eight years, modern networks able to carry perhaps 30 channels of television have been laid past only 670,000 homes, and of those, only 107,000 have subscribed – less than 0.5 per cent of all the television homes in the UK.

However, there are signs that a potentially significant industry is at last on the move.

Last month, Mr Jon Davey, director general of the Cable Authority (who will become director of the cable division when the Independent Television Commission takes over from the authority next year) switched on a new cable network in Nottingham. Also in September, Tyneside launched its programme service.

"There is now a lot of construction going on," says Mr Davey, who is encouraged by the increase in subscribers from nearly 93,000 to 107,000 by July 1.

"It was the first time ever that there had been an increase in penetration (the ratio between actual subscribers and the number of homes capable of receiving cable television) in that quarter of the year, when it normally falls," adds Mr Davey.

Some franchise holders, such as United Artists in Croydon, are beginning to achieve penetration rates of well over 20 per cent. Once a cable network achieves penetration levels of more than 30 per cent, it starts to become a profitable business. In the US, almost 60 per cent of homes have cable television.

In July, the Cable Authority finalised the cable map of the UK when it awarded the last of 135 franchises. They cover, at least in theory, 14.6m homes – around two-thirds of the country – and the franchises range from Aberdeen to Andover, from Greenwich to Grimsby. If all the networks are actually built, it will involve an investment of around £4bn.

Mr Davey expects to see considerably more than 1m homes passed by cable by the end of this year. After that, construction should accelerate, with 3.3m homes passed by the end of 1991. Mr Davey believes that the industry should then be able to sustain a construction rate of 2.5m homes passed a year.

The main reason why cable television should now be taken seriously in the UK is North American money. With few exceptions, British investors have judged cable to be either too risky or too long-term an investment. Four regional Bell telephone companies (Pacific Telesis, Nynex, US West and Southwestern Bell), together with large cable operators such as Jones Intercable, Videotron and Maclean Hunter, dominate the UK cable industry, controlling perhaps as much as 90 per cent.

### North American money dominates the UK cable industry

Apart from the investment in cable television, the US telephone companies hope to use cable to offer a range of telecommunications services through their networks, competing with British Telecom and Mercury Communications.

If it is North American money that will see cable into the ground in the UK – as long as penetration rates justify continuing investment – it is the rapid growth of satellite television that will provide the big push for subscribers.

The limited number of high quality channels has clearly been an important factor behind cable's disappointing development to date in the UK.

The arrival of Sky Television and British Satellite Broadcasting (BSB) means eight new channels for cable schedules – eight channels with hundreds of millions of pounds of investment behind them. "Sky and BSB have been good news for cable," says Mr Davey.

Apart from the enormous boost to programming, the fact that both Sky and BSB use incompatible receivers has been an added bonus for cable. Leaving aside the cost of equipment, few people want both a Sky dish and a BSB "Squarial" on their roofs.

There are also signs of increasing and widespread opposition, on environmental grounds, to the mushroom-like growth of satellite aerials. In many conservation areas and in some council estates, they are simply banned. The cable industry argues that it can provide all the available television channels along a single cable into the home.

The potential audience for cable seems to be large. According to recent market research, nearly 40 per cent of households say they are certain or likely to subscribe to cable once the service becomes available in their areas.

Viewing research suggests that in homes with cable, people spend around 40 per cent of their viewing time watching the new channels and that, after BBC1 and ITV, Sky Movies is the third most popular cable channel among adults.

A study of Multi Media Communications last month by Citicorp, the US investment bank, predicts that by the year 2000 cable television penetration will draw level with DTH (direct to the home) and that together they will reach 19.15m homes – 90 per cent of the UK total.

Citicorp even forecasts that cable will pose a threat to some ITV companies, particularly Granada, Anglia, Thames and London Weekend Television. But, though the traditional broadcasters will undoubtedly continue to lose audience share to cable, their reach – that is, the number of people who watch at least sometime during the week – should prove more durable.

US experience also suggests that the share of advertising revenue of mainstream commercial broadcasters will hold up remarkably well, despite the desertion of some of their audience. As the cable and satellite audience splits itself among many channels, the ITV (or Channel 3, as they will be known in the future) companies will still have the largest mass audience.

**Raymond Snoddy**

## CHANNEL FOUR

# Set to go it alone

THERE HAS been a consensus since Channel Four was conceived that its remit – to serve minority audiences otherwise neglected by television – could not be delivered by the market. The ITV companies were charged with selling C4's advertising airtime in return for supporting it financially with a subscription fee. Thus Britain's two commercial channels were joined at the hip.

The Broadcasting Bill calls for the channels to be severed. From 1993, C4 will be separated from the ITV companies and be responsible for selling its own advertising. In other words, it will have to pay its own way. At the same time, the channel will be required to preserve its minority audiences remit.

Two factors will determine C4's commercial success or failure. The first is whether it can deliver audiences that advertisers want. The second will be ITV's competitive strategy: will ITV co-operate with C4 or will it see it as a rival business which must be driven out of the market?

The first thing that C4 has to do is persuade advertisers that it is a unique sales proposition, that it offers them something different. C4 is still struggling with less than 10 per cent of the television audience. Its share will inevitably fall as satellite channels such as British Satellite Broadcasting and Sky Television are increasingly successful in competing for viewers. C4 will be under pressure to convince advertisers that its audience is small but of high quality.

Mr Michael Grade, C4's chief executive, argues that the channel's strength is that its audiences are committed and discriminating. "You don't read the FT by accident, but you might watch the Business Programme by chance. Nevertheless, C4 has a tremendous advantage over ITV in that more people do watch out of choice and that will have an impact on how they receive commercial messages."

The notion of the discriminating C4 viewer has fashioned the channel's programming and scheduling philosophy since its launch in 1982. C4's schedule has been traditionally characterised as an eclectic and unstructured mix into which the viewer could dip at random. Yet in the past year Mr Grade has streamlined the schedule, establishing slots for specific programming genres.

"When C4 is in competition for commercial audiences it is going to find it harder to get audiences to sample individual programmes," says one national advertiser. "It needs to strip programmes across the schedule and it's going to have to play its best programmes carefully."

Mr Grade proclaims that the channel is now "dedicated to increasing its audience share". The self-imposed target is 10 per cent. It cannot afford to go below 5 per cent. But the channel's current average audience share of 7 or 8 per cent is maintained largely by a handful of programmes – Brookside, Roseanne and Film on Four.

C4's other selling point is deemed to be the type of audiences it attracts, specifically those – such as ABC1 men – who are usually infrequent viewers of commercial television. The problem for C4 is that scrutiny of the audience ratings figures does not support this theory. Figures for average weekly audiences reveal that ITV attracts a higher proportion of ABC1 adults and men than C4.

| AVERAGE DAILY HOURS VIEWED* | ITV | | C4 | | BBC1 | | BBC2 | |
|---|---|---|---|---|---|---|---|---|
| | 1989 | 1990 | 1989 | 1990 | 1989 | 1990 | 1989 | 1990 |
| London | 1.83 | 1.91 | 0.39 | 0.52 | 1.60 | 1.66 | 0.54 | 0.40 |
| Midlands | 2.11 | 2.13 | 0.38 | 0.41 | 1.79 | 1.73 | 0.52 | 0.37 |
| North-west | 2.31 | 2.47 | 0.52 | 0.52 | 2.05 | 2.03 | 0.63 | 0.47 |
| Yorkshire | 2.26 | 2.23 | 0.47 | 0.51 | 2.01 | 1.99 | 0.60 | 0.44 |
| Cent Scotland | 2.66 | 2.66 | 0.63 | 0.71 | 2.24 | 2.17 | 0.67 | 0.49 |
| Wales | 2.17 | 2.21 | 0.38 | 0.37 | 1.92 | 1.79 | 0.52 | 0.44 |
| South & SE | 1.76 | 1.81 | 0.33 | 0.38 | 1.80 | 1.75 | 0.60 | 0.44 |
| North-east | 2.21 | 2.14 | 0.56 | 0.60 | 2.06 | 2.02 | 0.64 | 0.44 |
| East | 1.94 | 1.93 | 0.33 | 0.40 | 1.77 | 1.75 | 0.53 | 0.37 |
| South-west | 1.67 | 1.74 | 0.33 | 0.38 | 1.85 | 1.93 | 0.51 | 0.35 |
| Ulster | 2.56 | 2.72 | 0.55 | 0.58 | 2.20 | 2.06 | 0.62 | 0.45 |
| Border | 2.49 | 2.36 | 0.46 | 0.54 | 1.92 | 1.69 | 0.61 | 0.40 |
| N Scotland | 2.16 | 2.39 | 0.44 | 0.42 | 1.99 | 1.97 | 0.51 | 0.49 |
| Network | 2.21 | 2.27 | 0.45 | 0.50 | 1.97 | 1.93 | 0.60 | 0.44 |

*Homes viewing for week ending September 16 1990 compared with week ended September 3 1989

Source: AGB

Whether C4 can build on – or simply keep – its audience share depends more on ITV's strategy than anything Mr Grade can do. The Broadcasting Bill obliges the ITV companies to promote C4's programmes, although it does not determine to what extent.

As a bitter executive of a major ITV company says: "There is a limit to how much the government can handicap us by forcing us to give C4 a helping hand."

There are those in ITV who would go further. At least one ITV managing director has threatened to buy up all C4's successful programmes. Others argue that ITV should simply schedule aggressively against them. The strategy is crucial because if ITV did buy future runs of Roseanne or the Golden Girls it would be relevant to the price of a Channel 3 licence bid.

C4's survival depends on whether Mr Grade can persuade the ITV companies to co-operate rather than compete. He must convince them it is in their interests.

The Broadcasting Bill commits the future ITV companies to fund any deficit in C4's income below 14 per cent of the total terrestrial advertising spend. If it goes above 14 per cent ITV and C4 will share the surplus. However, the subsidy would only be up to 2 per cent of that amount. In other words, if C4's revenue goes below 12 per cent, it will be in trouble.

Mr Grade's argument is that ITV and C4 should co-operate to help boost C4's advertising share to 17 per cent and share the surplus. This proposition is not an attractive one for every ITV company. As one sales director puts it: "We could drive them down to 11 per cent and keep all the difference."

Mr Grade is confident that this is an unlikely scenario. "If they drive us into sea, we will both lose out to the new media. And anyway they can't. We'll be selling something different.

"ITV is a commodity in a mass market. C4 is not. It is like comparing Metros with Range Rovers."

This argument assumes that C4 can be sold to advertisers at a premium. Advertisers currently buy airtime based on the cost per thousand (CPT) – the cost of reaching every thousand viewers. In order to charge a premium C4 would have to convince advertisers that it is an exclusive product. It is possible to claim that C4's programmes are exclusive, but advertisers buy audiences, not programmes.

C4 can claim specific interest groups, yet so can all the other channels, and ITV can demonstrate that it has the largest share of any group because it has the largest share of the audience.

"There will be a honeymoon period in which advertisers use C4 to drive prices down on ITV. Yet there may come a time in an increasingly deregulated market when the ITV companies overturn the rule which forces them to sell all their airtime. They could then drive prices up by creating a scarcity.

ITV has to choose between competing head on with C4 and lending support to ensure that between them they keep other commercial rivals out of the market. Channel 4 currently has about 16 per cent of the commercial market. When its sells its own airtime, it could take a 20 per cent share. If ITV chooses to compete with C4, the rewards could be great. As one ITV sales director says: "Two per cent is a small price to drive C4 to the wall."

ITV's threats cannot be dismissed as the futile posturing of an old monopolist. It will continue to be the brand leader – even with a reduced lead – for many years to come. Without ITV co-operation, the pressure on C4's remit will be great and its commercial viability will be seriously threatened.

| WHO VIEWS WHAT? Channel | Weekly Viewing* | Share of Total Viewing (%) | Reach (%) Daily | Reach (%) Weekly |
|---|---|---|---|---|
| BBC 1 | 8hrs 9min | 38.7 | 61.9 | 89.6 |
| BBC 2 | 1hr 49min | 8.6 | 26.7 | 70.5 |
| ITV | 9hrs 6min | 43.3 | 59.1 | 88.6 |
| Channel 4 | 1hr 58min | 9.4 | 30.9 | 74.3 |
| All TV | 21hrs 2min | 100 | 73.9 | 92.5 |

*Averaged over the population, based on week ending September 9 1990.

Source: Broadcasters' Audience Research Board

**Maria Wohrle**
*Editor, Broadcast*



# Cartoon catches on

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Japanese interest in European animation production has grown as a result of such developments. Jimmy Murakami, a Japanese American by birth, runs a studio in Dublin as part of the Triangle EEIG. He believes that Japanese broadcasters now want to invest in European production in a big way.

"Triangle is looking for Japanese finance to produce a film in Europe. NHK is already investing and the Japanese distributor of *When The Wind Blows* wants to back more European animation. They are fed up with producing animation in Japan that doesn't then go any further," he says.

"They are interested in co-production – that means involving production companies in Europe but probably using east Europe facilities."

Animation lends itself particularly well to international co-operation because of the ease with which it is possible to make foreign language versions, which in part explains the great success of Cartoon. The project is, however, just one small part of the overall Media 92 programme, which aims to foster European co-operation across a wide range of issues in film and television production.

"Production methods are unlikely to change as much as distribution," says Mr Holde Lhoeste, Media 92 director. "What will change is that people sitting in front of their television screens will see more productions from other European countries."

At the moment fewer than 20 per cent of European productions are screened outside their country of origin (in the case of animation it is 50 per cent and rising). The aim is significantly to improve on that figure with more European co-productions and an improved distribution network.

The Council of Ministers will decide on December 5 whether or not to take Media 92 through from its pilot phase to a full five-year programme, Media 91-95. Mr Jacques Delors has proposed a budget of ECUs 250m. The working group of the council dealing with the issue met last week in Brussels. Unanimous support was expressed for the principle of a media programme of some form – but there are many trade-offs still to be made on its detailed composition.

**Bob Swain**